Credit
AND FINANCIAL MANAGEMENT

Contents for September, 1941

Cover: Photograph courtesy Pan American Airways System.

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Buy a Bond!

■ This week the American people are saving $100,000,000. They did the same last week—and for many weeks before that. How much was *your* share? The American people are saving that sum through the purchase of defense bonds and stamps. Are you doing your part?

BUY A BOND!

The American people are in a period of national defense emergency. Their defense forces require arms, ammunition and all the other goods of war. These must be paid for. It is the wise policy to pay for them as much as possible day by day. That means taxes.

It is not possible, however, to pay for all of these costs as they develop. Just as some of the benefits accrue to the future so must some of the burden inevitably be placed on the future. That means we must lend funds to our government.

BUY A BOND!

A combination of taxes and defense savings bonds means that we are draining off an increasing amount of war-stimulated earnings. This helps hold down, to some extent, the possibilities of inflation. When we review the post-war inflation of the Twenties and the subsequent deflation of the Thirties, we can agree that as much as possible we should prepare today against tomorrow's problems.

The government could, of course, borrow in the regular way in the money market—at less than one per cent rather than the higher return of some 2½ per cent it offers you and me. That higher return is designed to encourage thrift on the part of each of us. It amounts to a government dividend—*a cash reward over the years for savings today.*

BUY A BOND!

As we, individuals and firms, buy defense bonds, we accomplish at least two important steps. First, we offset resort to banking channels where bonds could intensify the bank reserve problem and be an inflationary threat. Second, we store up today's purchasing power for use in the post-war period, and thereby help alleviate the post-war adjustment from an economy with emphasis on military production to one depending once again on the production of consumer and capital goods.

It is thus not merely an act of patriotism, or a display of confidence in the worthwhileness of our institutions, or support of our way of life—it is each civilian's contribution to our economic defense.

BUY A BOND!

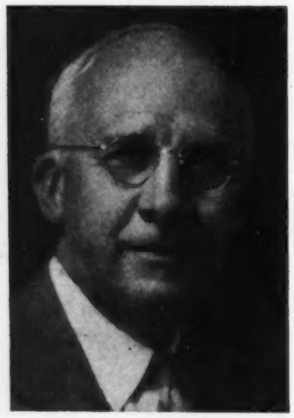
Henry H. Heimann

Henry H. Heimann
Executive Manager, N.A.C.M.

Thousands of Checks Handled Without a Cash Book

By B. FRANK FOX

Credit Manager and Assistant Treasurer, Lamont, Corliss & Company, New York City



"You're going to substitute customers' envelopes for cash slips and a cash book?" Our auditor was not only surprised. He was frankly skeptical. I'm sure that he looked forward to finding our accounts in a pretty mess the following year. That was ten years ago. Today, there is no question about the efficiency and accuracy of our method of handling cash. It has, in fact, been rather widely imitated.

The first step in handling 800 and 1,500 remittances daily, is to sort the checks and give them to the bookkeeper concerned. We maintain territorial ledgers, designated by letters of the alphabet. The bookkeeper in question rubber stamps the envelope received from the customer containing the remittance with the date and with a block stamp that shows Ledger, amount of check, cash discount taken and total remittance. This envelope record is our cash slip. Checks are then listed according to ledger by the head bookkeeper.

After listing the checks, they are returned to the bookkeeper who checks name and address on the envelope to see that they agree with our ledger sheet. He also checks the bank to see if the one indicated on the ledger sheet is the same as the one on which check is drawn; if not, proper notations are then made so that our ledger sheet always shows the correct bank.

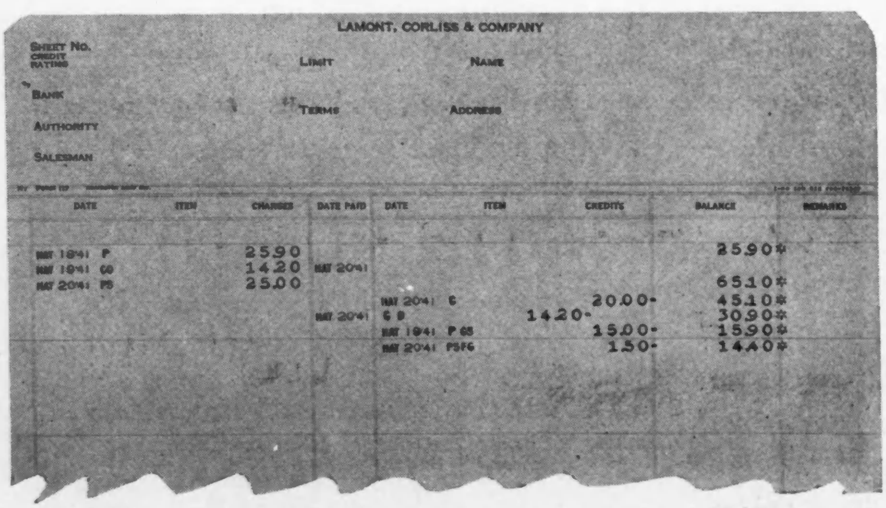
Helps in Cash Discount Rows

WE have found the use of envelopes as a basic cash record valuable in eliminating complaints about cash discount allowances. We are strict in the matter of allowing cash discounts. If a remittance is received beyond the discount date, but the post mark shows that it was mailed to us within the period, we allow the discount. A post mark *proves* when a remittance was mailed. It eliminates all arguments, yet does not penalize a customer because of holidays, Saturdays or unusual delay in transit.

After envelopes are filled in and applied to the individual accounts, the checks are then listed on an adding machine tape. The envelopes are listed according to their respective ledgers on a card. If these two separately arrived at totals tally with the list made by the Head Bookkeeper, the envelopes and card are then passed over to the operators who post same to the individual accounts. At the end of each ledger run, totals are checked with card. If okay, total is posted to control carried in front of each ledger. Checks with adding machine list are then sent to cashier's department to be deposited in the bank. Cash posted each day must agree with cash deposited in bank for the same day.

Triple Checks for Accuracy

WHILE the original envelope is the foundation of our cash record, we triple check to make sure of accuracy. Perhaps one indication of the smooth flow of our system is the fact that we use our adding machine listings of checks received as our deposit slips. The speed with which it enables us to handle as many as seventy thousand items monthly is shown by the fact that our books are ordinarily closed on the first working day of each month and we are ready to start our new month on the third working day. Most items are correctly posted before the close of banking hours on the day of receipt. All items are entered before the close of our working day. We have no lag between receipt and recording. Yet we require the services of only four



LAMONT, CORLISS & COMPANY

SHEET NO. / CREDIT RATING — LIMIT — NAME

BANK — TERMS — ADDRESS

AUTHORITY

SALESMAN

DATE	ITEM	CHARGES	DATE PAID	DATE	ITEM	CREDITS	BALANCE	REMARKS
MAY 18 41	P	25.90					25.90*	
MAY 19 41	CO	14.20	MAY 20 41					
MAY 20 41	PS	25.00					65.10*	
				MAY 20 41	C	20.00-	45.10*	
			MAY 20 41	C D		14.20-	30.90*	
				MAY 19 41	P 65	15.00-	15.90*	
				MAY 20 41	PSF6	1.50-	14.40*	

Ledger Sheets Give Complete Story of Every Transaction

young women to handle the bookkeeping posting details.

The credit rating of each account on our books is shown on its ledger sheet. Every rating is checked every year, a different color of crayon being used to indicate the current year's check. As can be seen in the sample ledger sheet shown, we use various symbols—all of which are an integral part of our bookkeeping machines. The symbol *C* indicates that an account was paid net. *C.D.* indicates Cash Discount. Products are shown by symbols, such as *P* for Chocolate, *CO* for Cocoa, *PS* for Ponds. The notation *GS* indicates credit through Goods Returned.

In the illustration, the entry "May, 19, 41 P GS $15.00" shows a credit for returned chocolate. The entry "May, 20, 41 PSFG $1.50" indicates a credit for Ponds Free Goods.

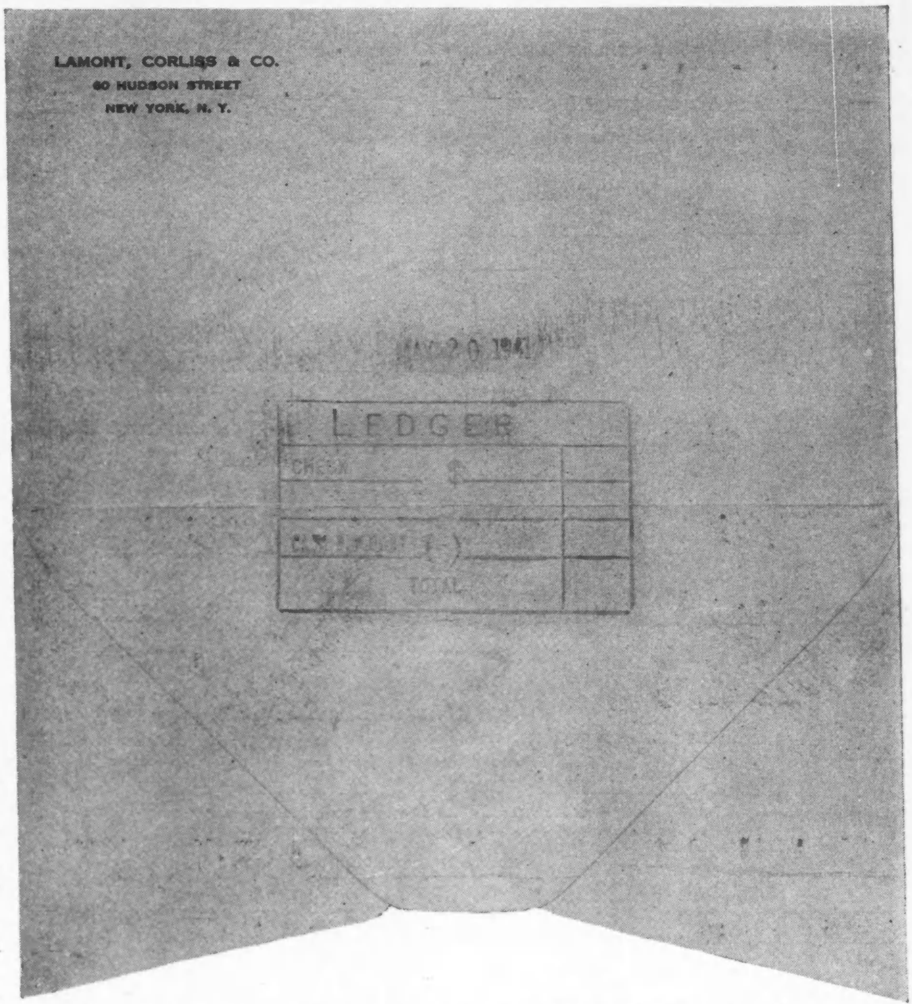
Ledger Sheets Tell Complete Story

IN brief, our ledger sheets tell as complete a story of an account as is possible. To some of you, it may seem that this is all bookkeeping detail and that a Credit Manager need not be deeply concerned with the Accounts Receivable unless trouble develops. I realize that, in many companies, Accounts Receivable are not an integral part of the Credit Department. In our business, however, we have found it eminently worth while to retain direct supervision over this activity and to keep our ledgers in our own department and under our immediate supervision.

Our accounts range in size from huge chain organizations to relatively small dealers. While a satisfactory rating is a basis for initial credit, an account's habits of payment signal us regarding the current policy we should pursue. Erratic payments, discount stealing, tell us to be on our guard and watch every detail with care. It is an old point, yet possibly worth re-emphasizing, that ledger figures are not statistics—they are your customers.

I have dealt with our handling of remittances because, to many, this is one of the most interesting aspects of our work. It is not, of course, our only activity.

Each day we receive a report of all sales. These are sorted and broken down into their individual ledgers like our cash records. A grand total is made of sales. They are posted, balanced and returned to the bookkeeper concerned. The bookkeeper sorts all Posting Records according to shipping date and files them 35 days ahead.



The Envelope in Which the Remittance is Received from the Customer is Used in Lieu of a Cash Book Entry

When Collection Routine Starts

ON the 35th day, this Posting Record is checked against the ledger sheet to see if payment has been made. If the item is still open, a statement is sent to the customer and the salesman on the account receives a carbon copy telling him of the "First Notice To Your Customer of Past Due Account" that has been sent. Ten days later, the account is rechecked. If it is still open, correspondence is begun with the customer. The salesman receives a copy of any letters sent to his customer. A record is made for our files to come up on a given date. On the ledger, the item in question is marked with a circle and an X to show that correspondence is being carried on with the account.

When a remittance comes through on such an account, this ledger notation enables us to stop correspondence at once and thus avoid a collection letter following the receipt of a customer's check. While we are not infallible, we have been able to reduce this needless annoyance to a minimum. A special form is used to record checks received for accounts in correspondence and this is placed in the hands of the collection department before 12 noon each day.

Since goods are shipped from the branch or warehouse nearest the customer, we must keep them informed about the status of any account. When, therefore, a payment is received on a limited credit account about which we are having collection correspondence, we notify the branch or warehouse of the payment and this automatically restores the full credit limit. To show that this has been done, we stamp our ledger sheets "notified." •

LAMONT, CORLISS & COMPANY

COLLECTION DEPARTMENT

MR.______ SALESMAN'S COPY

FIRST NOTICE TO YOUR CUSTOMER OF PAST DUE ACCOUNT

DATE______

REPORT OF CHECKS RECEIVED

LEDGER______ BOOKKEEPER______

DATE______

TO THE

COLLECTION DEPARTMENT

CHECKS WERE RECEIVED TODAY FOR ACCOUNTS IN CORRESPONDENCE, AS FOLLOWS:

NAME	TOWN AND STATE	✓	DATES	AMOUNT

NEW YORK CITY,______

PLEASE NOTE THAT WE HAVE TO-DAY RECEIVED A PAYMENT FROM

AND YOU MAY SHIP THEM UP TO $______ LESS THE ITEMS BELOW, UNLESS SOME OF THE INVOICES ARE MORE THAN 30 DAYS OLD AND UNLESS THE LAST SHIPMENT IS MORE THAN 6 MONTHS OLD.

LAMONT, CORLISS & COMPANY

LAST SHIPMENT______ CREDIT DEPARTMENT

DATE	ITEM	AMOUNT	TOTAL

Some of the Forms Used by Mr. Fox. Top (left) Notice to Salesman of Collection Action; Center (right) Notice to Correspondents on Checks Received; (bottom) Notice to Branch Offices of Change in Credit Status

OUR collection efforts are made on a regular schedule. Should any account fail to respond to ordinary efforts within 90 days, the matter becomes a special one for the individual attention of the Credit Manager or his assistant.

Like all companies, we make exceptions when circumstances seem to warrant them. We will not, however, permit anticipation of an invoice. This is invariable. We are also strict about unearned cash discounts. We write such offenders at once. As I have mentioned, the postmark on the envelope helps us in this respect. Correspondents receive a form requesting them to write offenders against our policy. This form shows all details of the particular transaction and likewise previous cash discount experience with the account. A first offender receives only a polite explanation of our terms and cash discount policy. Those who tend to repeat the offense are firmly turned down.

We make use of numerous forms, if they simplify details and speed up our work. Since we must give fast service on all orders, our ledger records must be up to the minute so that one of our three credit men can pass on new orders almost instantaneously.

Our present system is a result of constant growth and minor improvements. We spend considerable time investigating other systems. As yet, we have not found one which would give us the same results with the same number of employees.

Why We Use the Envelopes

WE have been asked how we came to think of using envelopes as our cash record. It is difficult to recall the genesis of any idea. However, it seemed to me illogical to (1) open an envelope (2) remove a remittance (3) make a record of that remittance (4) transfer the record to a book for the eventual transfer to a ledger.

It seemed more sensible to use the actual carrier of the remittance for a record. It was dated. There could be no question about the name and address. To make so many motions about a temporary record seemed like wasting energy and time. We tried the simplification and it worked.

We maintain the same attitude today as then. When we can find a simpler, faster—yet accurate—way of handling any details we experiment.

Form 144-8-40-1M

KINDLY WRITE AND EXPLAIN CASH DISCOUNT TERMS

Date Received______194__

Date Mailed______194__

NAME______

ADDRESS______

Date of Invoice______ Line______ Days Late for C/D (After 15 Days Period)______ Amount of Invoice______

SALESMAN______ Total Amount of Invs.______

LEDGER NOTED______ Total Amount of Credits Deducted______

LEDGER NO.______ Total______

C/D TERMS______ Amount of Check______

PREVIOUS C/D EXPERIENCE______ Cash Discount Deducted______

C/D ACCOUNT POLICY______

C/D TERMS EXPLAINED______

Above is Notice to Correspondents About Error in Cash Discount

Credit in an Advancing Market

Stresses Importance of Our Profession

By HARRY J. W. NIEHAUS
Vice-President, Ely & Walker Dry Goods Co., St. Louis, Mo.

Extending credit on an advancing market, or at any other time, is not like "collective bargaining" with labor, but is something personal or individual. What applies to one merchant does not apply to another. One hears a great deal about "credit policy"; but in actual practice credit is based on the particular financial standing of the individual, his past reputation, and his manner of meeting obligations. In a general way, a business may have a liberal or conservative credit policy; but in the final analysis credits are made individually and not collectively.

Naturally, on either an advancing or any other kind of a market there is quite a difference between extending credit to a merchant in good standing with ample resources, or to one in poor credit standing with limited assets. On an advancing market the wholesaler is not concerned about a merchant, with an excellent record and rating, buying too much merchandise, as his standing insures payment of bills at maturity; whereas, in the case of a merchant in poor credit in the event of over-buying, not only may he not be able to pay as agreed, but he may find himself in financial straits in case, for any reason, his sales do not materialize as expected, or in the event prices should break before he has been able to dispose of the merchandise. Each case must be taken up on its merits and analyzed according to good credit principles.

Job for a Real Executive

HERE is where the ability of a credit manager comes into play. To know what to do and how to advise a merchant on an advancing market is not always an easy task. Many merchants today are consulting not only the salesmen who call on them; but the credit men who handle their accounts are also taken into confidence in matters of this kind. Where that occurs the experienced credit man when asked for advice will usually base his opinion and recommendation on the record of operations of the merchant asking for the information. In the case of a man having a poor turnover, one that is less than two times a year, it goes without saying that he has no license to speculate, regardless what may happen in the way of an advancing market. On the other hand, a merchant turning his stock four or five times a year is justified in anticipating his wants for six months in advance even though his apparent ratio may not be all that could be hoped for.

Then again, from present indications, the prospects for increased business are better for the merchants in the industrial areas, than they are for those merchants in the agricultural sections; and the former, therefore, are warranted in "spreading out" more than their cousins in the country.

Today the modern credit manager is more concerned with the operating statement of his customers than he is with their balance sheets. The man in business may not be able to make a statement showing a three-for-one position, but if he is able to show a gross profit of 30% and an expense account of 20% leaving a net of 10%, he is worthy of consideration; and only a short time will elapse before the ratio will take care of itself. On the other hand a merchant may be able to show current assets of $30,000 and current liabilities of $5,000; if he is a poor performer and can only show a gross profit of 25% and an expense account of 28%, it is a question of only a few years before his liabilities will catch up with his assets.

Does He Make a Profit?

A CLOSE study of the operations of many merchants, as shown by their profit and loss statements, has in numerous cases developed many interesting sidelights. This especially holds true of gross profits. If a merchant, handling a line of merchandise that should reasonably bear a markup of 33⅓%, shows a gross profit of 18% or 20% at the end of the year, it is safe to say there is something wrong with that man's operations. He is either selling his merchandise at a loss, or has too many special sales, or someone is walking out of his store without paying for the merchandise—usually the latter. In many such cases leaks have been stopped and the merchant again placed on a profitable basis simply by giving heed to what this part of the Profit and Loss Statement showed.

If a credit manager will study the problems of his customers from an operating standpoint, and if he will keep a record from year to year of the comparative progress his friends are making, it will be relatively easy for that credit manager to advise his customer what to do in the way of handling his purchases on an advancing market.

The question may be asked, how far can we expect to go forward on this present market? No one knows. There is no doubt that the national defense program is causing an increase in employment and an expansion in the payrolls all over the country. This, in turn, creates a demand on the part of the consumer for all types of merchandise. Demand again results in increased production. It is evident, however, the government will take an ever increasing share of this production; and the more the government requires the less will be available for the general public. With less production for general consumption, and with an ever increasing demand, prices are bound to advance. In other words, a man who works, by reason of steadier employment at higher wages, will have more money to spend; but by reason of less production for personal use there will be a shortage of merchandise in general. What will be the result? Increased prices, of course. This has been the experience in all previous wars and will be the experience in this war.

Will Prices Rise Too Fast?

UNFORTUNATELY, increased prices overcome all the benefits of increased wages; in fact, in the end prices rise faster than wages. One way to keep prices from running wild is for the government to fix prices on all commodities; but when the government does this, it must also set the price on all wages. Or, as Germany is doing, the government can ration commodities of all kinds and in this way restrict the sale and purchase of all goods, wares and merchandise. Taxation may also be utilized to reduce consumer purchasing power. It remains to be seen what course events will take.

At this writing, July 18, 1941, the "United States News" (David Lawrence, editor) has this to say:

"Price increases in the present war period show a striking parallel to the world war, and in the twenty-two months since September, 1939, wholesale prices in this country have increased 13%. Twenty-two months after war was declared in 1914 prices had climbed 20%. . . . Many conditions that prevailed during the world war are present today. The government is preparing to pour billions of dollars into war materials—more, in fact, than was spent during the last war. American industry is being forced to curtail production of peace-time goods, and the curtailment may be more drastic today in some fields, such as automobiles, aluminum and nickelplate. At the same time, more dollars are being poured into workingmen's pockets to pay for a limited amount of goods. This is the basic condition for an inflationary price rise, and Mr. Henderson recognizes that the same underlying forces are at work today as in 1916."

What about the day of reckoning? When will it arrive? No doubt it will come like a thief in the night, when least expected. The evil day is bound to come, and woe unto that man who does not have his house in order! Andrew Mellon, when ambassador to England, at the time he took office in London, made a speech and in that speech he said:

"Economic depressions are the price we pay for war, and they must be reckoned as a seemingly unavoidable stage in the sequence of events. The economic rise of nations seems to go in cycles, spurting forward in industrial expansion, then inflation and extravagance, which brings its own retribution. Then the downward move begins and the whole structure seems to topple about our heads. Yet we know from experience that such catastrophies never completely wipe out the progress which has been made; and that when the world begins to mend the many gains of recent years will not be lost but will be consolidated."

This may be true in the sense Mr. Mellon had in mind; but unfortunately when the "storms" and the "floods" come they carry many a retailer away into bankruptcy, receivership or other forms of liquidation.

AT the depth of a depression period it appears as if things are never going to get back to normalcy, and from 1930 to 1940 many credit men had about given up hope that the good old days would ever return. This spirit prevailed years ago when the country went through the same experience. Daniel Webster, in a speech in Detroit in 1837, uttered these words which might have been uttered in 1937:

"Times like these we find ourselves in the midst of a financial and industrial crisis. It just seems inconceivable that conditions can ever right themselves enough to have prosperous times in this country again. Trade and industry throughout the land are disorganized. Banks by the hundreds have failed. Securities have fallen to one-half or even one-quarter of their former value. The problem of unemployment has become general, and in all large cities special committees have been organized to provide food and clothing for the poor and unemployed. In addition to this effort, some cities have caused relief work to be instigated by public bodies. Widespread want and distress have led to labor strikes. The lessening demand for wheat exported to Europe has caused American wheat to sell in the West for less than 50c a bushel. Extensive competition, lowering prices and unwise speculation have brought about a crisis. The renewal of confidence and the allaying of violent fear in the minds of the people which will allow for active buying rather than money-hoarding must precede business recovery."

This was in 1837. Truly history repeats itself and one wonders whether we can expect a repetition of what transpired in 1837, 1937, and in ?.

Even Ralph Waldo Emerson wrote the following on May 31, 1837:

"Society has played out its last stake; it is checkmated. Young men have no hope. Adults stand like day laborers idle in the streets. None calleth us to labor. The present generation is bankrupt of principles and hopes as of property."

Another Picture of Gloom

THIS was a hundred years ago—1837 and not 1937. And finally, to prove that there is nothing new under the sun, read the editorial that appeared in Harpers Weekly of October 10, 1857:

"It is a gloomy moment in history. Not for many years, not in the lifetime of most men who read this paper has there been so much grave and deep apprehension; never has the future seemed so incalculable as at this time. In our own country, there is universal commercial prostration and panic, and thousands of our poorest fellow citizens are turned out against

the approaching winter without employment and without the prospect of it. In France the political caldron seeths and bubbles with uncertainty; Russia hangs as usual like a cloud, dark and silent, upon the horizon of Europe; while all the energies, resources, and influences of the British Empire are sorely tried, and are yet to be tried more sorely in coping with the vast and deadly Indian insurrection and with its disturbed relations in China. . . . Of our troubles no man can see the end. . . . The very haste to be rich which is the occasion of this widespread calamity has also tended to destroy the moral forces with which we are to resist and subdue the calamity."

No, this is not intended to describe conditions in the world in the year 1941, but in 1857, nearly 100 years ago. Many a lecture could be based on this editorial; and not only business men, but our present day statesmen and politicians should benefit from these remarks.

Many contemporary credit men feel that theirs is one of the hardest lots in the realm of business today; and so it is. But we sometimes wonder whether they realize what "heartaches" and "headaches" their predecessors had to experience just about a century ago. Today, the credit manager has at his fingertips an analytical report of the Dun-Bradstreet Company; while in 1820 to 1850 credit was based on the recommendation of other merchants. Lines of credit were extended solely on letters of recommendation from fellow tradesmen.

Today the average credit man complains that the standard terms are too long; not realizing that one hundred years ago the conventional terms were six months credit, payable in twelve months, with interest ranging from 6% to 10% per annum after the first six months.

Why Our Lot Seems Easier

IN those days the retailer, in buying his goods in the seaboard cities and transporting them one thousand miles westward over primitive roads and on dangerous rivers, paid freight rates that equalled 25% of the cost of the goods. Now if he pays in excess of 1% for freight the merchant complains. Today goods in transit may suffer a slight damage; but in those days occasionally a year's supply of merchandise was swept away in one disaster. Because of the cheapness of water transportation, cities located on a river dominated the trade areas. Merchants were away from home for six weeks or two months at a time to purchase goods, and usually accompanied their merchandise home. They were compared with traders of old, traveling to and from Bagdad, Babylon, and Nineveh.

As late as 1837 the arrival of goods at St. Louis in two weeks from Baltimore was considered an event worthy of mention in the newspapers. Cash commanded lower prices; and there was a feeling in the East and West that a cash business would reduce prices as much as 25%. Weather conditions made the price of goods fluctuate in those days. St. Louis had higher wholesale costs just before the ice broke up on the river than at any other period during the year, the supply of goods being smaller at that time.

As far as insurance was concerned, in 1829 James Aull, of Lexington, Missouri, purchased $10,000 worth of goods in the East, which he insured with the Ohio Insurance Company at a cost of $769.27 — nearly 10%. The steamboat sank, and Aull collected $2,500.00 from the insurance company. The first wholesalers in St. Louis were also retailers; but by 1850 the wholesalers became "Importers and Wholesalers," while retailers became known as "Retailers."

But the big "headache" of the wholesaler was in the collection of his accounts. Bank paper throughout the West, even within ten miles of Philadelphia, was exchanged at a discount of at least 12%, and even more in many cases. With the disappearance of the Second National Bank in the thirties, the state banks once more issued paper money in quantities so large as to drive the notes below par value. The merchant knew the exchange value of notes issued by local banks, and could take them in comparative safety; but this problem was complicated by the daily presentation of notes drawn on banks in other communities and other states. Naturally, the weaker banks were anxious for their notes to travel a long way from home, the danger of their being presented for redemption being lessened if this occurred. Missouri merchants received paper of banks in Tennessee, Kentucky, Illinois, Ohio and Virginia in payment for goods. Sometimes these notes were only worth 20c to 30c on the dollar, and to take them for any more meant just that much loss. It was even possible to take in notes of banks that had already failed.

THE farming class, which constituted most of the customers in western stores, was not well posted on financial matters, and often had received bank notes at considerably more than they were actually worth. It was not a pleasant duty for the merchant to tell a customer that his money would be taken only at a discount below that for which the customer had accepted the notes originally. If the merchant did not offer all that the notes were worth, some competitor got the business. So it became necessary for the storekeeper to keep posted on the exchange value of the notes issued by banks over a wide area if he wanted to keep his customers and remain solvent. Even this, however, was not proof against the ire of the farming class which held that money was money, and that any reduction below the face value was robbery.

Paper money constituted almost as great a problem. The mails were notoriously unsafe, and the universal practice was to send money in two different mails when it went by that means. A merchant would cut the bills in halves, and mail one-half of each bill, sending the other part by the following mail. In that way if one mail was lost, it was possible to get the halves redeemed by presenting them to the (*Cont'd on page* 36)

A BIG SUCCESS

Turn to page 13 of this issue for a report on the first Summer Institute of Credit Management.

A further report of the Summer Institute will be presented in the October issue.

The National Association of Credit Men takes pride in the tradition that credit education is one of its main objectives.

Commercial Credit Analysis—V

Receivables and Inventories in the Balance Sheet

By EDWARD F. GEE
Assistant Cashier, State-Planters Bank and Trust Co., Richmond, Va.

What are the elements of a sound current position? Stated simply they are these: (1) a quantity of current assets sufficient to equal or exceed all current liabilities; (2) a quality of current assets sufficient to assure the satisfactory adequacy of the quantity coverage.

As we have had occasion to mention before, a one for one coverage might conceivably be fundamentally sound if all current assets were in cash. However, this would apply as of a given date only and it could hardly be considered a satisfactory relationship under normal operating conditions. Even if current assets could continue in the form of cash throughout the operating period, the current position would be weak so far as creditors were concerned because they would have no margin of current asset protection against the contingency of an operating loss or against other inherent operating hazards. As a practical matter, of course, it would ordinarily be impossible for the cash balance to be kept intact as merchandise would have to be purchased or receivables carried if operations were to continue. The conversion of cash to these purposes intensifies other operating hazards as there is then added the possibility that these new assets may lose some part of their value in realization. Therefore the margin of current asset protection to creditors must be even further increased under such conditions if a satisfactory current position is to prevail.

Thus it would appear that under ordinary operating conditions it is necessary that current assets exceed current liabilities to a comfortable extent if a sound current position is to be achieved and that the adequacy of that excess is dependent primarily on two factors: (1) the normal operating hazards of the business, and (2) the soundness of the elements in the current asset total.

Normal Operating Hazards

WE use this term to refer to the ever-present possibility in business operations that, owing to some combination of conditions, income will not be sufficient to equal outgo over a period and that operating losses will result, weakening the position of creditors by depleting ownership capital and cutting down the relative coverage of current assets over current liabilities. The applicability of this consideration to the adequacy of the margin of current assets over current debt is ascertained principally by reviewing the past operating record of a business and taking cognizance of the conditions with which it will have to contend in the immediate future. Other factors being equal, a lower current ratio is acceptable in a business with a stable operating record than in one which has shown erratic gains and losses. No doubt one of the factors that has influenced the general acceptability of a relatively low current ratio in finance company statements has been the stability and consistently satisfactory nature of the operating results achieved by most organizations of this kind.

The soundness of current assets refers to the liquidity of the elements that make up the total as well as to the eventual realizability of the non-cash assets included. This ties the question of adequacy into the volume of transactions effected as the higher the liquidity of the asset elements the greater will be the volume of business that can be supported satisfactorily by a given quantity of current assets. If the conversion of merchandise to receivables to cash is normally fast then the business can turn over its current liabilities with the same rapidity and service properly a larger volume of transactions than it could if the transition to cash were slower. Therefore, the adequacy of the margin of current assets over current liabilities necessary to insure comfortable creditor protection is determined to some degree by the liquidity of the elements in the asset total.

The ultimate realizability of the non-cash assets included also has an obvious bearing on the adequacy of the margin for if these assets fail to realize their full value then the actual margin of protection will be less than it appears to be.

Localizing the Appraisal Problem

BEFORE we can say that a business is in a sound current position, then, we must consider the extent to which current liabilities are exceeded by current assets and appraise the adequacy of that excess by determining the soundness of the elements in the current asset total. Since these elements usually consist of cash, receivables, and inventories and since there is no problem of realization with respect to the first, the real crux of a sound commercial bank loan resolves itself into a determination of the soundness and liquidity of receivables and inventories.

There are other aspects to the importance of receivables and inventories in the consideration of commercial credit. First of all, as we have seen, their value determines the adequacy of the margin of current asset protection available at the time a credit is made. Secondly, the proceeds of the credit will ordinarily pass through one or both of these forms of asset before they become available for the liquidation of the loan. This may be done (1) directly, by using the funds to manufacture or

purchase merchandise to be sold for cash or credit, or to carry receivables to be turned into cash, or (2) indirectly, by using the funds to liquidate other liabilities originally created for these purposes. And thirdly, not only do receivables and inventories normally represent the bulk of the current assets in a business but they also loom large in proportion to the *total* assets of the average enterprise.

A Statistical Study of Assets

TO indicate in a practical way the dominating importance of current assets in the average balance sheet from the standpoint of actual dollar proportions involved, and then to emphasize the major prominence of receivables and inventories both with respect to current assets and total assets, we have made a study of the average proportions shown by some 2,000-odd business enterprises at or around December 31 of each of the three years, 1936, 1937, and 1938.[1] The figures used in this analysis are based on statement data submitted to the Robert Morris Associates for its annual trade statement studies and compiled by that organization into average balance sheet proportions for varying lines.

Since balance sheet proportions vary with the functional character of business units, the relationships have been broken down into three groups: manufacturers, wholesalers and dealers, and retailers. The number of varying lines of business represented by each group for each of the three years is shown in the following:

	Number of Lines		
	1938	1937	1936
Manufacturers	32	28	38
Wholesalers and Dealers	14	14	17
Retailers	13	12	13
Totals	59	54	68

[1] See Appendix 2.

Each line represents a number of individual business units and the total number of companies involved in the study are summarized by group and year below:

	Number of Companies		
	1938	1937	1936
Manufacturers	951	896	848
Wholesalers and Dealers	610	577	558
Retailers	768	701	609
Totals	2,329	2,174	2,015

Current Assets to Total Assets

A REVIEW of the proportion of current assets to total assets indicates that a substantial majority of the average total assets of all business groups is consistently shown in the current section. The arithmetical averages of the relationship for each group ranged from a low of 58% for manufacturers in 1938 to a high of 77% for wholesalers and dealers in 1937. The weighted average for all groups for each year, established by weighting the relationship of each group by the number of companies represented, was maintained at 65% or better in all three years. The final column in the summary below represents an average for three years.

	Current Assets to Total Assets			
	1938	1937	1936	Average
Manufacturers	58%	62%	60%	60%
Wholesalers & Dealers	74%	77%	75%	75%
Retailers	68%	68%	69%	68%
Weighted Average	65%	68%	67%	67%

In 1938 the ratio for manufacturers ran from a low of 24% for brewing companies to as high as 87% for ladies' cloak and suit manufacturers, but the average of 58% for the group continued below that of other business classes as might well be expected. It is usually necessary, of course, for manufacturing establishments to show relatively substantial investments in plant and equipment and this reduces the proportionate importance of current assets to total of all assets in such business units.

All types of wholesalers and dealers showed at least half of their total assets in the current section in 1938 with plumbing supply houses having a low point of 50% and with wool dealers averaging as high as 91%. Wholesalers and dealers perhaps have to put even emphasis on fixed assets than do retailers for they do not feel the same necessity for maintaining well - located and attractively equipped business properties. This appears to be borne out by the fact that, as a group, their current assets consistently averaged in higher proportions than those of other classes.

A narrower range of variation was shown in this relationship for retailers, running from a low of 53% for retail coal dealers in 1938 to a high of 84% for retail jewelers. The average of 68% for the group showed little fluctuation over three years.

On the whole, then, the greater part of the total funds of nearly all types of business remain invested in current assets year in and year out. Let us see how important receivables and inventories are in making up the total of those current assets.

Receivables to Current Assets

THE following comparison of the relationship of total receivables to current assets indicates that receivables usually account for approximately a third of total current assets:

	Receivables to Current Assets			
	1938	1937	1936	Average
Manufacturers	27%	27%	31%	28%
Wholesalers & Dealers	34%	36%	39%	36%
Retailers	38%	41%	42%	40%
Weighted Average	32%	34%	37%	34%

The burden of carrying receivables appears to fall most heavily on the retailer with this group showing the greatest proportion of receivables in each of the three periods. Within the group, however, the proportion goes down to practically zero in the case of those businesses which do all or the greater part of their volume on a cash basis, such as retail druggists. Furniture installment houses averaged as much as 75% of current assets in receivables in 1938 and this particular type of business was one of the primary factors in keeping the average for the group so high.

Jobbers and dealers of electrical supplies had the highest relationship for the wholesale group in 1938 at 47% while coffee importers averaged only 19% of their current assets in receivables. In the manufacturing classification, the ratios ran from only 9% for manufacturers of passenger automobiles to 51% for manufacturers of ladies' dresses. The average of the manufacturing group as a whole remained consistently lower than that of other groups, suggesting that manufacturers do not have the receivables problem to as great an extent as other types of business organization. They sell in large lots, on short terms, to a responsible class of customer and it is understandable that their receivables should be less important in relation to current assets than in the case of wholesalers who sell in smaller lots to business units of less favorable financial stability or in the case of retailers who sell to a multitude of individual consumers on varying terms of credit.

WHEN it comes to inventories, however, the manufacturer is faced with the greater burden. The following figures show that this group carries well over half of its total current assets in inventories and that this relationship is higher than that for any other business group:

	Inventories to Current Assets			
	1938	1937	1936	Average
Manufacturers	52%	57%	52%	54%
Wholesalers & Dealers	48%	49%	46%	48%
Retailers	47%	49%	48%	48%
Weighted Average	49%	52%	49%	50%

In 1938, canners of vegetables averaged 78% of their current assets in inventories, contrasting with a low of 29% for manufacturers of ladies' cloaks and suits. Among wholesalers and dealers, wholesale grocers, surprisingly enough, had the heaviest relationship with an average of 62% while wholesale butter and egg dealers, with their fast-moving perishable products, were the lowest with only 28%. The December 31 statement dating may have something to do with the high proportion of inventories shown by wholesale grocers as well as the possibility that cash and receivables in this line may be smaller than for most other types.

For retailers in 1938, the inverse of the receivables relationship was evidenced, as might well be expected, with retail druggists showing the highest proportion of inventories to current assets at 76% and furniture installment houses at only 18%.

The weighted average of all inventory relationships over the three-year period worked out to exactly 50% which seems definitely to place inventories as the most important single element in the current asset total of the average business balance sheet. It follows, then, that in attempting to determine the soundness of the current position of the average business by appraising the soundness and liquidity of its current assets, the major part of the problem lies in what might well be called the inventory total.

Incidentally, it should be pointed out that inasmuch as this study reflects the condition prevailing at or around December 31 of each year, it finds the inventories as well as the receivables of many business enterprises at or near their seasonal low points. No doubt most of the proportions computed would be even more impressive if they could be based on averages for each year as a whole.

Bulk of Current Assets

TOGETHER, receivables and inventories ordinarily comprise on the average anywhere from 79% to 90% of total current assets at each year-end as shown in the summary below:

	Receivables and Inventories to Current Assets			
	1938	1937	1936	Average
Manufacturers	79%	84%	83%	82%
Wholesalers & Dealers	82%	85%	86%	84%
Retailers	84%	90%	89%	88%
Weighted Average...	81%	86%	86%	84%

The relationship was the lowest in the most recent year for manufacturers of passenger automobiles with 49% while the manufacturing group also had the highest proportion with that for whiskey distillers averaging approximately 96%. Whiskey distributors and wholesalers similarly topped the wholesale group with 92% and the ratio for this group did not go below 73% for wholesale butter and egg dealers. Retailers ranged from a low of 71% for retail shoe dealers to a high figure of 93% for furniture installment houses.

The group averages emphasize in a definite way what we should logically expect, that receivables and inventories make up by far the greater part of total current assets in the average business and thus there can be no escaping their overwhelming importance in analyzing the average credit. We are still further impressed, however, when we relate these two assets to the *total* assets of the average business and find that here, too, they assume substantial and major significance.

Receivables to Total Assets

IN the following comparison of the proportion of receivables to total assets there is evident the same relative heaviness of receivables in the statements of retailers as we saw in the relationship of this asset to total current assets:

	Receivables to Total Assets			
	1938	1937	1936	Average
Manufacturers	17%	18%	19%	18%
Wholesalers & Dealers	25%	27%	29%	27%
Retailers	26%	28%	30%	28%
Weighted Average...	22%	24%	25%	24%

Manufacturers, similarly, showed the smallest averages and the wholesale group again ranked in between. Some retailers, such as furniture installment houses, for instance, had up to 58% of their total assets in receivables in 1938, contrasting with a low of only 4% for retail druggists. Cigar manufacturers carried the heaviest proportion of receivables in the manufacturing group with an average of 43% and by industry the relationship ran down to a minimum of 4% for manufacturers of passenger automobiles. Among wholesalers, the average fluctuated between 13% for plumbing supply houses and 40% for distributors and wholesalers of whiskies.

It is interesting to note that a definite downward trend is observable in the proportion of receivables to total assets in the three-year period reviewed. From the 1936 relationship, each group drops successively lower in the two subsequent periods. Can this be a manifestation of the growing influence of consumer finance organizations which relieve the pressure of carrying receivables on the retailer and which, in turn, may lighten the total back to the original producer?

Inventories to Total Assets

WHILE manufacturers showed the heaviest proportion of inventories to total current assets, the larger fixed asset investment that is characteristic of this group made inventories appear smaller in relation to total assets than for the average concern in the wholesale business. A summary of this relationship follows:

	Inventories to Total Assets			
	1938	1937	1936	Average
Manufacturers	30%	35%	31%	32%
Wholesalers & Dealers	36%	38%	36%	37%
Retailers	32%	33%	32%	32%
Weighted Average...	32%	35%	32%	33%

The averages do not vary a great deal from group to group or even from year to year but manufacturers, particularly, disclosed wide variations within themselves. Brewing companies, for instance, averaged less than 9% of their total assets in inventories in 1938 although the relationship went as high as 55% for whiskey distillers. The range for wholesalers was from 19% for wholesale butter and egg dealers to 51% for wool dealers; among retailers, retail coal dealers were the lowest with 11% and retail druggists recorded a maximum of 50%.

All three groups showed a rather pronounced heaviness in the 1937 average, evidencing in a tangible way the abnormal accumulations of inventory characteristic of American business and industry at the close of that period.

With all business enterprises averaging approximately one-third of their total assets in inventories over the three-year period and, as we have seen previously, with receivables representing almost another quarter of the total, it becomes evident that these two assets alone may constitute the bulk of the total assets of the average business. Let us throw them together and compare their combined proportions to the total resources of each business group.

(*Continued on page* 35)

Eighty Attend First Institute of Credit Management

The role of credit in the present emergency period and the post-emergency era was given intensive analysis during the two weeks beginning Monday, August 11, when the first Summer Institute of Credit Management, sponsored by the National Association of Credit Men, was conducted at Babson Institute in Babson Park, Mass.

Eighty men and women credit executives from twenty-five states, representing American manufacturers, wholesalers, and banking institutions in twenty-one different fields, were in attendance. A number of men were accompanied by members of their family.

The Summer Institute of Credit Management had hardly begun on Monday when the campus received word of President Roosevelt's announcement concerning the plan to control installment selling. This provided an additional stimulus to the lectures, special talks and panel discussions which filled the daily schedule from 8:30 a. m. to 9:00 p. m., with the exception of the period following 2:30 p. m., which was devoted to recreation and study preparations for the various courses.

Under the heading of relaxation came such activities as swimming, golfing, tennis, croquet, horse shoe pitching, sight-seeing, and soft ball—there was an unconfirmed report that the "Yamigans" eked out a close 31-22 victory in an eight-inning game with the all-star "Shenanigans" in the first game of their series, but absence of a mechanical calculator prevented the tabulation of the scores of later games.

As to the installment selling control program, it was the consensus that it would not seriously affect business in general. Although details were not available at first, expectations were that the first steps in the program would be a reduction in the payment period on time sales and a concurrent increase in the amount of the down payment required.

Anticipated by Many

THE possibilities, however, had already been anticipated by some firms, it was revealed, and others were merely awaiting the pronouncement of the various steps in the program in order to bring their own installment selling practices in line with the government's desires.

The time sales pronouncement was interpreted as being another step in the direction of an all-out defense economy, previous steps having included the program of increased taxes, the sale of defense bonds and tax anticipation certificates, and the moves towards price control and priorities set-ups.

Taxation, it was pointed out in the course of formal and informal discussion periods during the sessions, will increase in order to remove some of the rising purchasing power that is now being generated by defense activity. Another means of draining off higher purchasing power, it was noted, is the program of stimulated savings through defense bonds and the income tax anticipation notes which went on sale in August.

Purchase of defense bonds is, of course, a voluntary act which stores the individual's funds until the emergency period is over, at which time, the bonds can be turned into cash which will then be available for the production of consumer and semi-durable goods that will stream from American factories when the present emphasis on goods of war is no longer necessary.

There was general agreement that these various steps will act as a snubber on inflationary tendencies today and as a cushion against a possible post-emergency deflation.

One delegate summarized these defense program steps in this fashion: "We Americans now realize that it can't be both guns and butter. The American consumer is being asked to sacrifice some of today's butter for guns, with the promise that by doing so, he will have plenty of butter on the morrow."

Evening Lectures

AMONG those who presented evening lectures during the Institute's sessions were: Paul M. Millians, American Credit Indemnity Company of New York, Baltimore, Md.; Alexander J. Guffanti, Vice-President, Springfield National Bank, Springfield, Mass.; Dr. O. M. W. Sprague, Harvard Business School, Cambridge, Mass.; Henry H. Heimann, Executive Manager, National Association of Credit Men; Kenneth Campbell, National Association of Credit Men; William H. Grimes, Vice-Chairman, Commercial Credit Company, Baltimore, Md.; Donald B. Perry, Lybrand Ross Bros. & Montgomery, Boston, Mass.; Ralph B. Wilson, Babson Statistical Organization, Wellesley Hills, Mass.; and H. C. Perry, Treasurer, Heywood-Wakefield Co., Gardner, Mass.

The morning panel discussions, which featured two or more individuals in conversation about the assigned subject for the first half-hour, were followed by half-hour general discussion periods. Both the morning panels and the evening lectures were attended by the entire student body.

Panel Discussions

THOSE taking part in the morning panels were: Clarence H. Rison, Grinnel Company, Providence, R. I.; Berl Boyd, Belknap Hardware & Mfg. Co., Louisville, Ky.; James Mc-

(Top) Problems in Credit Management: Mr. Starkweather. (Center) Business Organization and Policies: Mr. Millea. (Bottom) Psychology for Executives: Mr. Benge

Laughlin, Harvard Law School; M. J. Davis, N. Y. Credit Men's Association; Mr. Millians, John A. North, Phoenix Insurance Co., Hartford, Conn.; Mr. Guffanti; Robert Snow, Harvard Trust Co., Cambridge, Mass.; John E. Millea, Babson Institute; Mr. Heimann; Kenneth Campbell, National Association of Credit Men, New York City; Frank Byrne, Cannon Mills, Inc., New York City; Donald J. Moore, Exporter, Boston, Mass.; Eugene Benge, Industrial Engineer, Chicago, Ill.; Louis P. Starkweather, New York University, New York City; James Jones, Decatur and Hopkins, Boston, Mass.; Roy A. Foulke, Dun & Bradstreet, New York City; John McNair, Fox-Vliet Drug Co., Oklahoma City, Oklahoma; S. J. Schneider, Louisville Credit Men's Association, Louisville, Ky.; Mr. Grimes; George F. Sawyer, First National Bank, Boston, Mass.; Mr. D. P. Perry; Andrew Petersen, Babson Institute; George V. Emery, First National Bank, Boston, Mass.; Earl Latham, Federal Reserve Bank, Boston, Mass.; Austin H. Fitzz, Babson Institute.

The seven courses available to students, three of which were required, included: Analysis of Financial Statements, Psychology for Executives, Business Organization and Policies, Economics of Money and Credit, Problems in Credit Management, Business Cycles and Economic Stability, and Legal Aspects of Credit Management.

Among Those Present

THOSE in attendance included: C. M. Abell, Philadelphia, Pa.; Mr. and Mrs. D. B. Alexander, Atlanta, Ga.; A. C. Baldwin, Greenville, Mich.; Alex Barnett, New York City; Halford T. Barry, Cedar Rapids, Ia.; J. L. Beardsley, Bridgeport, Conn.;

A. A. Belmonte, Long Island City; Beatrice Beste, St. Louis, Mo.; E. O. Blair, Ipswich, Mass.; Mr. and Mrs. John Blunt, Charlotte, N. C.; Berl Boyd, Louisville, Ky.; James M. Buckelew, Meadville, Pa.; George F. Bury, Cleveland, Ohio; Frank E. Byrne, New York City; Walter Carlson, Worcester, Mass.; Farnsworth Chapin, Worcester, Mass.; Lee W. Coombs, Chicago, Ill.; Mr. and Mrs. P. S. Dance and family, Knoxville, Tenn.;

G. O. Daniel, Atlanta, Ga.; Mortimer J. Davis, New (*Cont'd on p. 37*)

Group picture taken on croquet lawn adjoining the Park Manor dormitory. You will be able to pick out some of your friends, perhaps, from this group. The universal word as the last sessions were held on August 22nd was: "The Summer Institute set a new milestone in credit education."

(Top) Business Cycles and Economic Stability: Mr. Quirin. (Center) Analysis of Financial Statements: Mr. Peterson. (Bottom) Legal Aspects of Credit Management: Mr. McLaughlin.

New Service on Defense Contracts

District Offices to Help Divide Orders

"How can we get some of the National Defense work for our plant?"

With millions of dollars worth of contracts being released every day in Washington and with priority barriers being set up against the production of most classes of goods, this question is being asked over and over again in every section of the country.

During the month of August a subdivision of the Office of Production Management was established, under the title of Defense Contract Service, for the specific purpose of helping manufacturers, large and small, who desire to take on some of the defense work. This new department is set up with a district manager in each Federal Reserve District. The name and address of the district managers who will operate this new Defense Contract Service is shown in the accompanying box.

It is the purpose of this new service to show manufacturers how and where they can help in the mammoth program for national defense and aid to Great Britain. This new department serves as a clearing house of information whereby the prime contractors can contact those offering facilities for help in their contract work.

In this way it is hoped that the spread of work on national defense will be greatly enlarged and in this manner prevent the threatened unemployment which seemed almost sure to result from the change-over from commercial to defense production.

On September 22nd, 23rd, and 24th in the Grand Central Palace in New York City, there will be held a National Defense Exposition under the supervision of this new Defense Contract Service. This great exposition hall—where the National Automobile Show is held each year—will be filled to the roof with displays by the larger prime contractors of small parts on which they desire production assistance. W. O. Crabtree, New York District Manager, of the Defense Contract Service, said late in August that it was expected that nearly 75% of the larger supply contractors would have exhibits at this big Defense Exposition.

Managers of District Offices

City	Manager
Boston	Edward V. Hickey
New York	W. O. Crabtree
Buffalo	F. J. O'Rourke
Philadelphia	F. W. Hankins
	C. R. Terry
Cleveland	Herman Lind
Cincinnati	Clifford Schulte
Pittsburgh	M. F. McOmber
Richmond	Robert R. West
Baltimore	C. W. Creighton
Charlotte	Francis E. Field
Atlanta	W. C. Cram, Jr.
Birmingham	Leslie E. Geohegan
Jacksonville	Chas. C. McCubbin
Nashville	W. G. Whitsitt
New Orleans	R. E. Judd
Chicago	Thos. S. McEwan
Detroit	Warren H. Clarke
St. Louis	F. J. McDevitt
Little Rock	Alfred M. Lund
Louisville	Prentiss M. Terry
Memphis	Arthur M. Field
Minneapolis	H. C. Timberlake
Helena	R. E. Towle
Kansas City	R. W. Webb
Denver	Clyde C. Hartzell
Oklahoma City	....
Omaha	Arthur Walker
Dallas	A. J. Langford
El Paso	L. A. Wilkie
Houston	I. M. Griffin
San Antonio	P. E. Locke
San Francisco	W. M. Hale
Los Angeles	H. M. Craft
Portland	S. A. MacEachron
Salt Lake City	J. M. Leisner
Seattle	F. C. Bold

The idea back of the Exposition is that a representative of a company having machine tool punch press or die press equipment, metal forming or rolling machines, or any other equipment that might fit in with the National Defense production can come to the Exposition and see the actual parts on which the larger contractors want assistance.

The Exposition will be divided into four floors which will house the following general sections:

1. Military, Naval and Aviation.
2. Basic machinery, electrical, industrial defense, transportation, oil, gas, rubber, chemicals, communication systems, vocational training.
3. Civilian Defense, fire protection, bomb-proof shelters, public safety, medical, justice, social security.
4. Defense Housing, health, food recreation, clothing, education.

While the main Exposition is scheduled for September 22nd, 23rd, and 24th, the Grand Central Palace will be occupied until October 18th by the big defense displays, and contractors for produce from all over the country are expected to be sent here by their local Defense Contract Service Managers to obtain information about, and, if possible, secure orders for the parts on which the prime contractors are asking assistance.

Those interested in this kind of work should immediately contact the District Manager of the Defense Contract Service in their Federal Reserve District as shown in the accompanying schedule. (*Contd on p. 38*)

Federal Regulations on Consumer and Instalment Credit

CFM Members of the National Association of Credit Men interested in the sale of their product through retailers on instalment contracts are deeply interested in the new Consumer Credit Regulation W as announced by President Roosevelt on August 9th.

N. A. C. M. members directly interested in this new regulation of instalment sales and consumer credit should get in touch at once with the Vice President in charge of Credit at their Federal Reserve Bank and register their names for any further bulletins issued by the Federal Reserve System regarding this new regulation of consumer credit. Copies of the Consumer Credit Regulation may be obtained by writing to the Credit Department of your Federal Reserve Bank. However, in order to get this information in the hands of our members as promptly as possible, we are presenting herewith the full regulations as announced on August 21st:

FOREWORD

(Not a part of the regulation)

Regulation W has been adopted by the Board of Governors in order to carry out the President's Executive Order of August 9, 1941, which sets forth the necessity for and purpose of regulation of consumer credit, as follows:

1. A large volume of credit is being devoted to financing and refinancing purchases of consumers' goods and services through extensions of credit that usually are made to individuals and to a large extent are on an instalment payment basis.

2. The conditions under which such credit is available have an important influence upon the volume and timing of demand, not only for the particular goods and services purchased on credit but also for goods and services in general.

3. Liberal terms for such credit tend to stimulate demand for consumers' durable goods the production of which requires materials, skills, and equipment needed for national defense.

4. The extension of such credit in excessive volume tends to generate inflationary developments of increasing consequence as the limits of productive capacity are approached in more and more fields and to hinder the accumulation of savings available for financing the defense program.

5. The public interest requires control of the use of instalment credit for financing and refinancing purchases of consumers' durable goods the production of which absorbs resources needed for national defense, in order (a) to facilitate the transfer of productive resources to defense industries, (b) to assist in curbing unwarranted price advances and profiteering which tend to result when the supply of such goods is curtailed without corresponding curtailment of demand, (c) to assist in restraining general inflationary tendencies, to support or supplement taxation imposed to restrain such tendencies, and to promote the accumulation of savings available for financing the defense program, (d) to aid in creating a backlog of demand for consumers' durable goods, and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period.

6. In order to prevent evasion or avoidance of this order and such regulations as may be prescribed to effectuate its purposes, means should also be available for regulating the use of other instalment credit and other forms of credit usually extended to consumers or on consumers' durable goods.

7. It is appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibilities with respect to the determination and administration of national credit policies.

Regulation W is issued in the light of the foregoing considerations and as a step supplementing more fundamental government measures designed to combat inflationary developments.

There will be changes from time to time in this regulation, particularly in the list of consumers' durable goods covered by the regulation, in the size of the minimum down payments required, and in the maximum length permitted for instalment contracts.

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank or the Federal Reserve branch bank of the district in which the inquiry arises.

REGULATION W

Section 1. Scope of Regulation

This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board") under authority of section 5(b) of the Act of October 6, 1917, as amended, and Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order").

The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit, or of discounting or purchasing obligations arising out of extensions of instalment credit. It applies whether the person so engaged is acting as principal, agent, broker or otherwise, and whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with

the selling of consumers' durable goods.

Section 2. Definitions

For the purposes of this regulation, unless the context otherwise requires:

(*a*) **"Person"** means an individual, partnership, association, or corporation.

(*b*) **"Extension of Credit"** means any loan or mortgage; any instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim on property to be discharged by the payment of money; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(*c*) **"Extension of Instalment Credit"** means an extension of credit which the obligor undertakes to repay in two or more scheduled payments or as to which the obligor undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or which has a similar purpose or effect.

(*d*) **"Extension of Instalment Sale Credit"** means an extension of instalment credit which is made, as principal, agent or broker, by any seller of any consumers' durable goods specified in the Supplement to this regulation (hereinafter called a "listed article") and arises out of the sale of such listed article. For the purposes of this section 2(d) a lease or bailment which is similar in purpose or effect to a sale shall be deemed to be a sale.

(*e*) **"Extension of Instalment Loan Credit"** means an extension of instalment credit, other than instalment sale credit, which is a loan (as distinguished from other types of extensions of credit) and which (1) is in a principal amount of $1,000 or less, or (2) regardless of amount, is wholly or partly secured, or according to any oral or written agreement of the parties is to become so secured, by any listed article which has been purchased within 45 days prior to, or is to be purchased at any time after, such extension of instalment credit; but the definition does not include any *loan upon the security of any obligation or claim* which arises out of any extension (A) of instalment sale credit or (B) of instalment loan credit as defined above in this section 2(e).

Section 3. Registration and General Requirements

(*a*) **General Requirements.** — No person engaged in the business of making extensions of instalment sale credit[1] or instalment loan credit, or engaged in the business of lending on the security of or discounting or purchasing obligations or claims arising out of such extensions of credit, shall make any payment or receive any payment which constitutes or arises directly or indirectly out of any such extension of credit made by such person or out of any such obligation or claim lent on or discounted or purchased by such person, except on the following conditions:

(1) Such person shall be licensed pursuant to this section (any person so licensed being hereinafter called a "Registrant"); and

(2) The Registrant shall not make any such payment or receive any such payment (A) if, when the Registrant made the extension of instalment credit, the Registrant knew or had reason to know any fact by reason of which such extension of instalment credit failed to comply with any of the requirements of this regulation applicable thereto, or (B) if, when the Registrant purchased or discounted the obligation or claim or accepted the obligation or claim as collateral, the obligation or claim showed on its face some failure to comply with such requirements, or the Registrant knew any fact by reason of which the extension of instalment credit giving rise to the obligation or claim failed to comply with such requirements, or (C) if, when the Registrant renewed, revised, or consolidated the obligation or claim arising out of an extension of instalment credit, the Registrant knew or had reason to know any fact by reason of which such renewal, revision or consolidation resulted in a failure to comply with such requirements.

[1] It is to be noted that the term "instalment sale credit" includes only credit connected with the sale of listed articles.

(*b*) **General License.**—A general license is hereby granted to all persons engaged on or before December 31, 1941 in the type of business described in section 3(a); *Provided, however,* That such general license terminates at the close of December 31, 1941 for every person who has not registered on or before that date in the manner provided in section 3(c). After December 31, 1941, any person, whose license is not suspended, may become licensed by registering in the manner provided in section 3(c).

(*c*) **Registration.** — Registration as required by this section 3 may be accomplished by filing, with the Federal Reserve Bank of the district in which the main office of the Registrant is located, a registration statement on forms obtainable from any Federal Reserve Bank or branch.

(*d*) **Suspension of License.**—The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, either in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

(1) Any material misstatement or omission willfully or negligently made in the registration statement;

(2) Any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto.

A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Board, in its discretion, if the Board is satisfied that its restoration would not lead to further violations of this regulation and would not be otherwise incompatible with the public interest.

Section 4. Instalment Sale Credit

Except as otherwise permitted by section 6, any extension of instalment sale credit shall comply with the following requirements:

(*a*) **Maximum Amount of Credit.**—The deferred balance shall not exceed the maximum credit value of the listed article specified in the Supplement to this regulation (hereinafter called the "Supplement");

(*b*) **Maximum Maturity.** — The maturity shall not exceed that specified for the listed article in the Supplement;

(*c*) **Amounts of Payments.**—Except as permitted by section 4(d), the instalments in which the time balance is repayable shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment;

(*d*) **Intervals of Payments.**—The instalments shall be payable at approximately equal intervals not exceeding one month, except that, when appropriate for the purpose of facilitating repayment in accordance with the seasonal nature of the obligor's main source of income or to encourage off-seasonal purchases of seasonal goods, the payment schedule may reduce or omit payments over any period or periods totaling not more than 4 months during the life of such extension of instalment sale credit if the schedule increases the scheduled payments in such manner as to meet all the other requirements of this section 4;

* (*e*) **Minimum Monthly Payment.**—Except as permitted by section 4(d), the schedule of payments shall call for instalments aggregating not less than $5.00 per month;

** (*f*) **Statement of Transaction.**—The extension of instalment sale credit shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth (in any order) the following information:

(1) A brief description identifying the article purchased;

(2) The *bona fide* cash purchase price of the article and accessories purchased (including any sales taxes thereon) and of any services (excluding any interest or finance charge and the cost of any insurance) rendered in connection with the acquisition thereof, itemized;

(3) The amount of the purchaser's down payment (A) in cash and (B) in goods accepted in trade, together with a brief description identifying such goods and stating the monetary value assigned thereto in good faith;

* Effective January 1, 1942.
** Effective October 1, 1941.

(4) The deferred balance, which is the difference between items (2) and (3);

(5) The amount of any insurance premium for which credit is extended and of any finance charges or interest by way of discount included in the principal amount of the obligation, or the sum of these amounts;

(6) The time balance owed by the purchaser, which is the sum total of items (4) and (5); and

(7) The terms of payment.

(*g*) **Credit of Which a Part Arises Out of Sale of a Listed Article.**—In case an extension of instalment sale credit arises partly out of a sale of an article listed in the Supplement and partly out of another sale, the amount and the terms of such extension of credit shall be such as would result if the credit were divided into two parts, the part relating to the listed article being treated in accordance with the provisions of this regulation relating to such article and the remainder being treated in the manner in which the Registrant would in good faith treat a similar extension of credit if standing alone.

Section 5. Instalment Loan Credit

Except as otherwise permitted by section 6, any extension of instalment loan credit shall comply with the following requirements:

(*a*) **Loans Secured by Listed Article.**—If the extension of instalment loan credit is wholly or partly secured, or according to any oral or written agreement of the parties is to become so secured, by any listed article which has been purchased within 45 days prior to, or is to be purchased at any time after, such extension of instalment loan credit:

(1) The principal amount lent to the obligor (excluding any interest or finance charges, and the cost of any insurance) shall not exceed the maximum credit value of the listed article specified in the Supplement; and, in determining such maximum credit value, the Registrant may accept in good faith a written statement signed by the obligor setting forth the *bona fide* cash purchase price of the article and of any accessories and of any services, except insurance, rendered in connection with the acquisition thereof, which statement so accepted shall, for purposes of this regulation, be deemed to be correct; and

(2) The maturity shall not exceed that specified for the listed article in the Supplement, and such maximum maturity shall be calculated from the date of purchase of such listed article or from the date of such extension of instalment loan credit, whichever is earlier.

(*b*) **Miscellaneous Loans of $1,000 or Less.**—If the extension of instalment loan credit is not subject to section 5(a) but is in a principal amount of $1,000 or less, the maximum maturity shall not exceed that specified in the Supplement for extensions of instalment loan credit subject to this section 5(b).

(*c*) **General Requirements.** — Whether subject to section 5(a) or section 5(b), the extension of instalment loan credit shall comply with the following additional requirements:

* (1) The extension of instalment loan credit shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth the terms of payment and, if the loan is subject to section 5(a), the *bona fide* cash purchase price used for determining the maximum credit value of the listed article involved;

(2) Except as permitted by section 5(c) (3), the total of the principal and any interest or finance charges shall be payable in instalments which shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment;

(3) Instalments shall be payable at approximately equal intervals not exceeding one month, except that, when appropriate in order to facilitate repayment in accordance with the seasonal nature of the obligor's main source of income or to encourage off-seasonal purchases of seasonal goods, the payment schedule may reduce or omit payments over any period or periods totaling not more than 4 months during the life of such extension of credit if the schedule increases the scheduled payments in such manner as to meet the other requirements of this section 5; and

* Effective October 1, 1941.

** (4) Except as permitted by section 5(c) (3), the schedule of payments shall call for instalments aggregating not less than $5.00 per month.

(*d*) **Determining When Listed Article Purchased.** — In case the Registrant accepts in good faith a written statement signed by the obligor that any listed article which secures an extension of instalment loan credit has not been purchased within 45 days prior to such extension of credit such statement shall, for the purposes of this regulation, be deemed to be correct.

Section 6. Certain Exceptions

Notwithstanding the provisions of sections 4 and 5, the requirements of such sections shall not apply to any of the following:

(*a*) Any extension of credit which is secured by a *bona fide* first lien on improved real estate duly recorded.

(*b*) Any extension of credit over $1,000 which is made for materials and services in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures, even though such materials include articles listed in Group C or D in the Supplement, provided the *bona fide* cash purchase price of such articles so listed does not exceed 50 per cent of the total over-all deferred balance.

(*c*) Any extension of instalment loan credit which is made to or for a student for *bona fide* educational purposes.

(*d*) Any extension of instalment loan credit if (1) the proceeds are to be used for *bona fide* medical, hospital, dental, or funeral expenses and (2) the income of the obligor available for the purpose is such that he could not reasonably meet the requirements of this regulation otherwise applicable, and failure to obtain the extension of credit would cause undue hardship to him; *Provided,* That if the Registrant accepts in good faith a written statement signed by the obligor and setting forth the facts relied upon to bring the loan within the exception of this section 6(d) the facts set forth in such statement shall, for the purposes of this regulation, be deemed to be correct.

(*e*) Any extension of credit (1) to finance the purchase of aircraft in order to facilitate participation in the Civilian Pilot Training Program of the Civil Aeronautics Authority; or (2) to remodel or rehabilitate any dwelling or residence which the Defense Housing Coordinator, or his authorized agent, shall designate as being for "defense housing" as defined by the Coordinator. Information regarding the procedure for obtaining such a designation may be obtained through any Federal Reserve Bank or branch.

(*f*) Any extension of instalment sale credit which is to be repaid at approximately equal intervals and in approximately equal instalments, the last of which matures within three months after the first day of the calendar month next following such extension.

(*g*) Any extension of credit to a dealer in any listed article, whether a wholesaler or retailer, to finance the purchase of any such article for resale.

(*h*) Any extension of credit which is to be repaid within not more than twelve months and is made to a *bona fide* salesman of automobiles in order to finance the purchase of a new automobile to be used by him principally as a demonstrator.

(*i*) Any extension of credit which is for the purpose of financing a premium in excess of one year on a fire or casualty insurance policy if the proceeds are paid directly to the insurance agent, broker, or company issuing or underwriting the insurance and the extension of credit is fully secured by the unearned portion of the premium so financed.

(*j*) Any extension of instalment sale credit made on or before December 31, 1941, which (1) does not bring above $50 the total of the obligor's outstanding indebtedness to the Registrant arising out of extensions of instalment sale credit made on or after September 1, 1941, and (2) is to be repaid at approximately equal intervals and in approximately equal instalments the last of which matures within 9 months after the first day of the calendar month next following such extension.

(*k*) Any extension of instalment loan credit which is made to a person engaged in agriculture, or to a cooperative association of such persons, provided that the extension of instalment loan credit (1) is approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family, or (2) is for general agricultural purposes and is not for the purpose of purchasing any listed article and not secured by any listed article purchased within 45 days before the extension of credit. In determining whether a loan meets the description of clause (2) above, a Registrant may accept in good faith a written statement signed by the obligor setting forth the fact relied upon to bring the loan within the description, and the facts set forth in such statement shall, for the purposes of this regulation, be deemed to be correct.

Section 7. Enforceability of Contracts

Pending an opportunity for the Board to observe this regulation in operation and except as may subsequently be otherwise provided, all of the provisions of this regulation are designated, pursuant to section 2(d) of the Executive order, as being for administrative purposes within the meaning of said section 2(d) which provides that non-compliance with provisions of the regulation so designated shall not affect the right to enforce contracts.

Section 8. Renewals, Revisions, and Additions

* (*a*) **Renewals or Revisions.**— If any obligation or claim evidencing any extension of instalment sale credit or instalment loan credit is renewed or revised by a Registrant, the extension of instalment credit does not comply with the requirements of this regulation if such renewal or revision has the effect of changing the terms of repayment to terms which this regulation would not have permitted in the first instance for such credit; *Provided, however,* That this shall not prevent the Registrant from taking any such action if the Registrant accepts in good faith a statement of necessity as provided in section 8(d) and the extension of instalment credit provides for a schedule of repayment in conformity with this regulation as though it were a new extension of instalment credit; and *Provided further,* That nothing in this regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking any action that it shall deem necessary in good faith, (1) with respect to any obligation of any member of the armed forces of

** Effective January 1, 1942.

* Effective November 1, 1941.

the United States incurred prior to his induction into such service, or (2) for the Registrant's own protection in connection with any obligation which is in default and is the subject of *bona fide* collection effort by the Registrant.

* (*b*) **Additions to Outstanding Credit.**—If any Registrant makes any extension of instalment sale credit or instalment loan credit and such extension of instalment credit is consolidated with any obligation held by the Registrant evidencing any prior extension of instalment sale credit or instalment loan credit to the same obligor, neither extension of instalment credit complies with the requirements of this regulation unless the terms of the consolidated obligation are such as would have been necessary to meet the requirement of this regulation if the two extensions had not been so consolidated; *Provided, however,* That if the Registrant accepts in good faith a statement of necessity as provided in section 8(d), the combined obligation may provide for a schedule of repayment in conformity with this regulation as though it were a new extension of instalment credit.

* (*c*) **Credit to Retire Obligations Held Elsewhere.**—Any extension of instalment credit, the proceeds of which a Registrant knows or has reason to know will be used in whole or in part to reduce or retire any extension of instalment sale credit or instalment loan credit not held by such Registrant, shall be subject to the requirements of section 8(a) or 8(b), including the provisos thereof, to the same extent as if the obligation being reduced or retired were held by the Registrant. In determining whether the proceeds of any extension of instalment credit will be so used, if the Registrant accepts in good faith a written statement with respect thereto signed by the obligor, such statement shall, for the purposes of this regulation, be deemed to be correct.

* (*d*) **Statement of Necessity to Prevent Undue Hardship.**—The requirements of a statement of necessity, as provided for in sections 8(a), 8(b), and 8(c), will be complied with only if the Registrant accepts in good faith a written statement on a form prescribed by the Board and signed by the obligor that the contemplated renewal, revision, or other action is necessary in order to avoid undue hardship upon the obligor resulting from contingencies which were unforeseen by the obligor at the time of obtaining the original extension of instalment credit or which were beyond the control of the obligor, which statement also sets forth briefly the principal facts and circumstances with respect to such contingencies and specifically states that the renewal revision, or other action is not pursuant to any preconceived plan, arrangement, or intention to evade or circumvent any requirement of this regulation.

(*e*) **Obligations Outstanding on September 1, 1941.**—The requirements of sections 8(a), 8(b), and 8(c), do not apply to any renewal or revision of any obligation arising out of any extension of instalment sale credit or instalment loan credit made prior to September 1, 1941; but when any such outstanding obligation has been combined with any extension of instalment sale credit or instalment loan credit made on or after September 1, 1941, or has been the subject of any renewal or revision made on or after such date, such extension of instalment credit shall thereafter be treated for the purposes of this regulation as having been made on or after such date.

(*f*) **Side Loan to Make Down-Payment on Listed Article.**—An extension of instalment credit which is limited in amount by this regulation to the maximum credit of any listed article, does not comply with the requirements of this regulation if the Registrant making such extension of instalment credit knows or has reason to know that there is, or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the maximum credit value of such article as specified in the Supplement; *Provided,* That, if the Registrant accepts in good faith a written statement signed by the obligor that no such other extension exists or is to be made, such statement shall, for the purposes of this regulation, be deemed to be correct.

(*g*) **Evasive Side Agreements.**—No extension of instalment credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding by which the obligor is to be enabled to make repayment on conditions inconsistent with those required by this regulation, or which would otherwise evade or circumvent, or conceal any evasion or circumvention of, any requirement of this regulation.

Section 9. Miscellaneous Provisions

(*a*) **Clerical Errors.**—Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, credit value, or extension of credit, or other similar matter, shall not be construed to be a violation of this regulation if the Registrant establishes that such failure to comply was the result of excusable error and was not occasioned by a regular course of dealing.

(*b*) **Calculating Maximum Maturity of Contract.**—In calculating the maximum maturity of a contract from the date on which any listed article was purchased or any loan was made, depending upon which such date is required by this regulation to be used for such calculation, a Registrant may, at his option, use as such date of purchase or loan any date not more than 15 days subsequent to the actual date thereof.

(*c*) **"Lay-away" Plans.**—With respect to any extension of instalment sale credit involving a *bona fide* "lay-away" plan, or other similar plan by which a purchaser makes one or more payments on an article before receiving delivery thereof, the Registrant may, for the purposes of this regulation, treat the extension of instalment sale credit as not having been made until the date of the delivery of the article to the purchaser.

(*d*) **Outstanding Contracts.**—Except as provided in section 8(e) with respect to contracts made prior to September 1, 1941, which have been renewed, revised, or consolidated on or after such date, nothing in this regulation shall apply with respect to any valid contract made prior to such date.

(*e*) **Payments Arising out of Loans on Instalment Obligations.**—With respect to any loan on the security of an obligation or claim which arises out of an extension of instalment credit, the prohibitions of this regulation shall be deemed to apply only to payments arising out of the obligation or (*Cont'd on P.* 30)

* Effective November 1, 1941.

Insurance Under Present Conditions

"In view of present conditions, we suggest that your entire problem of insurance should be reexamined," said Herman Herwood of Herwood & Herwood, certified public accountants in a recent general letter to clients. "Present rising prices of commodities, and machinery develop increased fire values which should be recorded in your policies. In addition, coverage should be broadened to include new hazards which have arisen, such as sabotage, etc. Policies should be endorsed to cover these contingencies.

Continuing the Herwood letter said about insurance:

"The following should be checked with your insurance broker:

"1. Fire insurance

"Values of merchandise and machinery should be constantly watched. The present cost of replacement on second hand machinery is about 90% of new machinery.

"Supplemental endorsement on fire insurance should be carried to cover windstorms, cyclones, tornadoes, hail, explosions, strike riot, civil commotion, aircraft, smoke, and property damage from vehicles.

"2. Sprinkler leakage insurance

"3. Water damage to cover your property, as well as injury to property of other tenants.

"4. Use and occupancy insurance

"This type of insurance protects the profits and fixed charges during suspension of business caused by fire.

"5. Profit insurance on finished merchandise held for future delivery

"In the event of fire loss, the assured would be guaranteed the profit that would have been made if the merchandise were shipped to customers.

"6. Strike riot, and malicious mischief insurance attending a strike.

"7. Credit insurance

"This covers sales made to customers.

"8. Compensation insurance

"9. Public and contractors liability insurance

"10. Insurance on vehicles

"Where employees use their automobiles, in part or whole, for the business of their employer, make certain that they carry liability and property damage insurance as well as fire, theft, towing, and road service. The employer's name should be included by endorsement in liability and property damage.

"In the event that the employees are not insured, the employer should carry contingent public liability, and property damage on automobiles of employees used for business.

"11. Open stock burglary insurance

"12. Blanket position fidelity bonds on all employees

"13. Floater insurance on samples carried by salesmen

"14. Cargo and transportation floaters

"15. Contractors floater insurance

"16. Parcel post insurance

"17. Plate glass and lettering insurance

"18. Payroll hold-up insurance

"19. Boiler insurance

"Life insurance on the lives of partners, and officers of corporations should be considered.

"All businesses carry compensation insurance for their employees but usually the officers of corporations are eliminated. This would also apply to individual proprietorships, and partners. Accident insurance should be considered so that in the event of disability, the business would be compensated."

A Logical Inference

Recently a public-school teacher wrote the sentence, "Them boys are sliding down hill," and requested someone in the school to "correct and why." One bright youngster held up his hand, and, on being asked, said:

"Correction: Them boys are sliding down hill. Why? Because they can not slide up."

New Study on Safety In Industrial Plants

In times like these, when industry is confronted with emergency production demands, the need for more effective accident controls in order to conserve men, money, and materials becomes of paramount importance. Plant expansion, development of new processes, maintenance of heavily worked equipment, employment of new workers, and other similar problems call for more than usual ingenuity and skill on the part of management, if a "job" is to be done not only well but safely.

These vital considerations are emphasized in a new report issued by the Industrial Safety Section of the Metropolitan Life Insurance Company. The report is entitled, "Conserving Men, Money, and Materials in Essential Industries." It is basically a discussion check list for the industrial executive concerned with emergency production.

The report lays particular stress on the proper consideration of accident costs. Of far greater significance than the threat of personal-injury accidents are the enormous potential losses of precious time and the spoilage of equally precious materials that result from mishaps sometimes termed "near accidents" — indirect losses which are generally overlooked in compiling accident reports or statistics, yet which to the production executive represent very real items of industrial waste.

As an aid to the study of industrial accidents and to point up proper means for their control, the report briefly develops several fundamental considerations for employee safety.

Copies of this report are available to executives who address the Bureau on their business stationery. Address: Policyholders Service Bureau, Metropolitan Life Insurance Company, One Madison Avenue, New York, New York.

Early Habits

Two men were discussing the reasons for success and failure.

"A good deal depends on the formation of early habits," said Howell.

"I know it," replied Powell. "When I was a baby my mother hired a woman to wheel me about, and I have been pushed for money ever since."

"Did I Handle That Order Correctly?" Is Credit Goblin

By RICHARD E. N. ARVER

Credit Manager, Wolverine Shoe & Tanning Corp.
Rockford, Mich.

Every order handled by a credit department should be fully considered as a possibility for gain or a possibility for loss to the house.

Was I sufficiently informed when I passed that order for shipment?

Was I sufficiently informed when I suggested to the prospective customer inability to ship on open terms or regular open accounts?

Did I have in my decision proper information and did I give proper analysis to such information before arriving at a final decision?

Is it possible that I permitted pressure of work at hand just at that time to cause me to make a hurried decision, one made without due and proper consideration.

Did I handle that order correctly?

To give an order due and careful consideration many angles must be considered. The salesman who received the order must be considered. He, of course, is familiar with the general practices of the house with reference to its requirements and the information necessary to form and make final decision as to the proper disposal of that order. He spent time and energy interviewing the buyer and his financial returns are usually dependent upon the shipment of that order. Too strict a policy means curtailing the salesman's earnings. It also means curtailment of the profit of the house because of its inability to keep production departments working to capacity. Therefore too strict a policy works against both the salesman and the house.

Did I handle that order correctly?

Now for the other extreme—too loose a credit policy gives the salesman maximum returns for his calls at the expense of the profits of the house. The danger of this policy is absorbing too large a part of the working capital of the house in slow and uncollectible accounts receivable, as well as excessive losses on accounts. This might easily result into financial difficulties and possibly even the intervention of the bankrupt court into the affairs of the house. Every credit department is therefore, so to speak, the door between legitimate profits and financial disaster.

Did I handle that order correctly?

Is it possible more complete information would have changed the decision. Did we write this prospective customer of our inability to ship on open account when more complete information would have developed the true situation? If so, we not only lost this particular order but, in all probability, also lost a continuing future profitable business with that prospective customer.

Did I handle that order correctly?

Will future developments show we passed an order for shipment to a party unable to settle on the terms agreed? Surely this would result in a loss as the result of shipping that order because of lack of proper information. Or it is possible the loss occurred because of failure to properly analyze the information received, carefully noting the points outlined that would enable us to forsee such a possibility? In either instance our obligations to our house should cause us to procure and use all possible information to guard against such possibility.

Did I handle that order correctly?

Now, as credit executive for our company, can we be remiss in performing our duties? Can we permit lack of information to cause erroneous decisions? Can we excuse loss of prospective good customers or losses on accounts by pressure of work? NO, we cannot. We must give each particular order due and proper consideration with the full picture before us. Can we do less and conscientiously accept our recompense for our services as credit executive? No, certainly not.

How can we avoid the possibility of such erroneous decisions? Sometimes by direct information properly tempered with information from banks, etc.? Maybe, but even then conditions may exist of which we would have no knowledge. This would again mean but one thing—orders handled on incomplete and insufficient information.

There is one way, however. Ask and secure from the local office of the National Association of Credit Men the information they have locally and in the Central Bureau. Acting on such information we can assure ourselves that we "Did Handle That Order Correctly.

Finlay H. McAdow Dies

Word was received late in August of the death of Finlay H. McAdow, one of the early National Presidents of N. A. C. M. at the home of his daughter, Miss Marion McAdow, at 1355 East 52nd Street, Chicago.

Mr. McAdow was elected President of the Association at Philadelphia in 1909 and was re-elected President at the New Orleans Convention in 1910. At the time of his active service with the Association, Mr. McAdow was connected with the Treasurer's Department of the Staver Carriage Company of Chicago. This company was one of the pioneers and leaders in the carriage manufacturing field, its buggies and spring wagons being sold by a large number of outlets in the Middle West.

Frank M. Gettys was the President who immediately preceded Mr. McAdow, and Harry New of Landesman, Hirschhiemer Company, Cleveland, Ohio, was the National President who succeeded Mr. McAdow in 1911. Charles E. Meek, at present connected with the Chemical Bank and Trust Company, New York, was the Secretary-Treasurer of the National Association under Mr. McAdow's two terms.

For the past few years Mr. McAdow has been in retirement but has up to the last few months taken an active interest in Association affairs.

New Ohio State Law Requires an Affidavit for All Act. Assignments

As announced in the August issue of "Credit & Financial Management," a new Ohio law now requires that an affidavit be filed in every case where accounts receivable are assigned to a bank or other financial institution.

For the information of credit men, the following is the form of the Affidavit:

STATE OF OHIO :
SS
CUYAHOGA COUNTY :

AFFIDAVIT
RE
ASSIGNMENT OF ACCOUNTS
RECEIVABLE

............., being first duly sworn, says that he is Agent for .... an .... corporation, hereinafter referred to as the "Transferor," whose present address is .... and whose principal place of business in Ohio, as designated by its Articles of Incorporation, is ...., Ohio and ...., being also duly sworn, says that he is Agent for The Cleveland Trust Company, hereinafter referred to as the "Transferee," whose present address is 916 Euclid Avenue, Cleveland, Ohio.

Affiants further say that the Transferor has arranged to assign to the Transferee one or more accounts receivable owned by the Transferor, and that they are authorized to execute this Affidavit pursuant to the provisions of Sections 8509-3 to 8509-6, both inclusive, of the Ohio General Code, and for the purposes provided for therein.

....
Agent for Transferor

....
Agent for Transferee

SWORN TO before me and subscribed in my presence by ....
this .... day of ....
194.....

....
Notary Public.

On the reverse side of the Affidavit is a form for Affidavit for Refiling.

"Get the Money"

Some "Do's and Don'ts" In Collecting

By **ROBERT L. BRANDT**
Credit Manager, Meier's Wine Cellars, Inc., Silverton, Ohio

Robert L. Brandt, the author of this article. is one of the younger credit men in N. A. C. M. He has just received his Senior Award from the National Institute of Credit and for the past year has served as Vice President of the Cincinnati Chapter of N. I. C. Mr. Brandt is within the draft age and expects to be called within the next few weeks.

The man in an organization who is delegated to collect the delinquent accounts finds himself, if he is at all sensitive to the sales cure, in a pretty dilemma. He must not offend the customer if he can help it, but he must get the money. Here is the problem that makes the work of the collection man difficult. If he is too drastic, he drives away business. This would do no harm if it were merely the dead-beat who would never pay anyhow. Such a loss would be helpful.

But now sometimes he finds that he has alienated some of his steady customers who are good, but notoriously slow pay. He dare not, however, forget that other side of the picture. If he is too lenient in his methods his own firm will fall short of funds to carry on its own business; and debtors, becoming familiar with his reputation for being easy, will let him wait for the money while they pay others who are more strict.

Tone shading in the writing of a business letter is important. Nowhere is tone more important than in collections. It must always be tactful and friendly (up to the final legal break, at which point in the majority of instances, the customer is irretrievably lost); but it must be made crystal clear to the customer that the firm is taking a strong stand, and that the debt must be paid.

In my mind there are three main classes of delinquents to keep in mind while collecting by letter:

1. Those who pay when notified.
2. Those who will take their time, no matter what you write.
3. Those who will pay only under pressure.

For class 1 you can use some of the following appeals:

Have you overlooked this account? Is our memorandum of the account correct? May we have your check for $$$ in order that we may close accounts by Friday? Is there some reason for delay? We know that this statement has merely escaped your attention, and we suggest that when you send in your check you also make a trial order of our product.

For class 2 some of the following appeals will be effective:

Self-interest (resell the customer on the value of the goods originally ordered; reinstate in his mind how the goods looked when they arrived; suggest concrete ways in which he has been benefited). Pride. Good will. Co-operation. Fair dealing. Honesty. Good nature. Wish to avoid annoyance. Good reputation. Success. Family affection. Imitation. Competition. Value of keeping credit undamaged. Are you short of capital? Are your own collections slow? Our salesman, Mr. Blank, tells us business is pretty slow in your locality. How about a bank draft? Won't you tell us why your account has gone unpaid? If you will only give us the details of your present situation, perhaps we can arrange a partial payment plan. Firm, phrased gently. Mild threats, growing stronger.

For class 3 your steps are limited:

Appeal to the discouraged delinquent through pride, imitation of other successful merchants, shame, fear, and threat of suit. Appeal to dishonest delinquents simply through fear, threat of suit, and outright legal steps.

Use this formula:

Be persistent. Keep everlastingly at it.

See that letters exert pressure promptly and regularly.

Always state in each letter the exact amount due.

If you desire, enclose a statement or invoice.

Hang on to the good will of your debtor as long as you can.

Select your appeals to fit your customer, when you happen to know him.

Reinstate in the delinquent's mind the genuine value of the goods he ordered. Resell him on his purchase. It is especially helpful to cite the examples of other merchants who have made excellent profits on the same goods.

To add force, specify a final date on or before which his check must be received.

Never under any circumstances allow anger, pity, or contempt to appear in your letters. To do so will hopelessly defeat your object. You may conceivably get the money, but you will assuredly lose your customer . . . for good.

Fixing the three main classes of debtors in mind, determine to your satisfaction into which class your delinquent falls. Select the set of appeals you think will be most effective in his case. Then be courteous, but never plead. Be reasonable, but never waver in the firmness of your stand. Your delinquent will respect you more for it.

Sharp language is a double-edged weapon. In unskillful hands it may cut both ways at once. It is splendid

for force in later stages of collection procedure. It is fatal interference to your success in early stages. Success, it should be remembered, consists of keeping your customers.

Don't shoot the works until you have exhausted all the more courteous and friendly methods. Save your cannonade until you need it. Become familiar with the sharp phrases. Remember; courtesy costs you nothing and may win you much, even in letters of force. Even in collections where legal steps are just behind the scenes, and where the firmness of language and decision is paramount, courtesy may still be admitted.

Collection letters are usually written into a series, pressure increasing proportionally from the first letter to the last. The "Collection Procedure" as it is termed, usually should fall into four divisions:

Reminder letters: Assumptive, oversight, will pay.

Resale Letters: Assumptive, will pay, order all right? Amount of invoice correct?

Discussion or Strategy letters: Assumptive, financial difficulty? Tell us about them so we may help you. Must pay.

Urgency or Force letters: Assumptive, check must be forced. Sorry we are compelled to do this. No recourse—must pay.

Reminder letters are memory helps. They help keep the bills before the eyes of the delinquent. They are friendly always; may embody sales material, suggesting a reorder; may carry an envelope stuffer introducing a new line of goods. They are entirely neutral and have not the slightest shade of threat.

Resale letters are particularly important for firms who do an installment business, although they are equally useful for other business as well. Their aim is to make the order stick. In installment sales, it can be seen how necessary it is to keep fresh and vivid the first glow of pride in the possession of the article purchased, in order that the purchaser's estimate of its value may not shrink and make him reluctant to pay. The resale letter resells the purchaser on what he bought, satisfies him happily that he did the right thing, and repaints for him the high value of the article he ordered for which payment is now due.

Discussion letters bring into play: first, the appeal to (*Cont'd on P. 37*)

New Regulations on Instalment Credit

(*Cont'd from P.* 22) claim rather than to payments arising out of the loan.

(*f*) **Determining Security for Instalment Loan Credit.**—In determining whether an extension of instalment loan credit is secured by any recently acquired listed article, as described in section 5(a), the Registrant acting in good faith may disregard any such listed article which specifically secures some other extension of credit and secures the loan in question merely by reason of an "overlap agreement," "spreader clause," or other form of general over-all lien.

(*g*) **Records and Reports.**—Every Registrant shall keep such records and make such reports as the Board may from time to time require as necessary or appropriate for enabling it to perform its functions under the Executive Order.

(*h*) **Production of Records.**—Every Registrant, as and when required by the Board, shall furnish complete information relative to any transaction within the scope of the Executive Order, including the production of any books of account, contracts, letters, or other papers in connection therewith.

(*i*) **Transactions Outside United States.**—Nothing in this regulation shall apply with respect to any extension of credit made in Alaska, the Panama Canal Zone, or any territory or possession outside the continental United States.

(*j*) **Right of Registrant to Impose Stricter Requirements.**—Nothing in this regulation shall be construed to modify the right of any Registrant to refuse to extend credit, or to extend less credit than the amount permitted by this regulation, or to require that repayment be made within a shorter period than the maximum permitted by this regulation.

Section 10. Effective Date of Regulation

This regulation shall become effective September 1, 1941, except that section 4(f) and 5(c) (1) shall not become effective until October 1, 1941, sections 8(a), 8(b), 8(c), and 8(d) shall not become effective until November 1, 1941, and sections 4(e) and 5(c) (4) shall not become effective until January 1, 1942.

(*Continued on page* 38)

New Check-Writer By Burroughs Co.

A new desk model machine just released by Burroughs brings increased protection, speed, and economy to bill receipting and check writing and signing.

The operator merely slides the check or receipt into the chute, indexes the amount on the keyboard, and depresses the motor bar, the machine automatically writing the date or consecutive number, safeguarding the amount, accumulating the amount in a locked-in total, and signing the form with an authorized signature.

Both the signature die and the accumulated total figures are under lock and key, and the machine itself can be completely locked to prevent its use by an unauthorized person.

For further information, write to Burroughs Adding Machine Co., Detroit.

Los Angeles "C" Men Gambol at Catalina

Approximately 350 members of the Los Angeles Credit Men's Association enjoyed a two-day Outing at Santa Catalina Island, July 26 and 27. Accompanied by

their own band, the delegation practically took possession of the boat on the journey from the mainland. Upon arrival at the Island, a parade was staged to the Island Villa where overnight accommodations had been made.

During the stay a Bathing Beauty Contest for both men and women was held and an interesting cocktail party at the Catalina Country Club brought the delegation together on Saturday evening. On Sunday night a dinner dance was held at the St. Catherine Hotel. Strangely enough, most of the 350 were tired and perfectly willing to sit still on the boat journey back home.

The photo shows Florence LaSalle, winner of the title "Miss Lacma of 1941." Vane Chase, Secretary L. A. C. M. A., is doing the honors.

The annual fall golf tournament of the New York Credit Men's Association will be held on September 11th at the Fenway Golf Club, White Plains, New York. One of the special features for the tournament is the Kickers' Handicap which it is expected will create fun.

News About Credit Matters

Heimann named to bond sales committee

New York—NACM Executive Manager Henry H. Heimann, who is a Commander in the U. S. Naval Reserve, is serving in an important post in connection with the distribution of Defense Savings Bonds throughout the State of New York. Mr. Heimann is on the committee of which Col. Richard C. Patterson, Jr., formerly Asst. Secretary of Commerce, and Chairman, Radio-Keith Orpheum Corp., is Chairman. Earlier in the summer Mr. Heimann had served a short period on a special assignment for the Navy Dept.

Cleveland C-women picnic

Cleveland—The Cleveland Credit Women's Club held a picnic on July 12 at the country home of Miss Anne Linde, who retired on January 1, 1941, from her position as Treas. of the Champion Spring Company, after being a member of that concern and the Cleveland ACM for a period of 35 years. Miss Linde is the first woman seated at the left in the above photograph taken at the picnic. Third from the left standing in the back row is: Miss S. Jane White of the Cleveland Ice Cream Company, who was recently appointed by NACM President, R. C. Wilson, as Chairman of the National Credit Women's Executive Committee.

Western Managers meet

San Francisco—The 17th Western Division Secretary-Managers' Conference was held here at the Mark Hopkins Hotel August 25-28. Association matters were analyzed and future programs were outlined at the meeting which was arranged by Owen S. Dibbern, Manager of the Western Division, NACM.

Past NACM Pres. Standart completes 45 years service

Denver—Forty-five years of unselfish service devoted to the development of a great medical institution in this city came to a close at the end of May when Frederick W. Standart, for the past 10 years President of the Board of Managers of St. Luke's Hospital, presented his resignation.

Mr. Standart is the oldest living past President of the NACM in terms of service, having been elected at the New York Convention in 1904.

Commenting on his retirement, the Denver Post on May 25 stated that "Standart takes with him many memories of his years of service. As a lad he volunteered to run errands for his mother, Mrs. Stephen H. Standart, who with a group of prominent pioneer women had joined authorities of the Episcopal Church in starting the institution and had become its Treasurer.

"Although, on finishing school and going into business as a credit and accountant expert, young Standart had his time filled to overflowing with responsibilities, he gave a first and sincere interest to St. Luke's Hospital. He accepted a place on the Board of Managers and demands on his time and thought made by growing business, financial and industrial enterprises with which he was connected were never so great that he did not find time for St. Luke's.

"Ten years ago he stepped to the head of the managers' table and began to plan the campaign which was to provide a nurses' home for the hospital. This hope became a reality two years ago when he participated at the dedication of the home built and equipped at a cost of a quarter million dollars. As board President he had the honor to report the hospital out of debt and providing larger and more efficient service than at any time in its history.

"When he retired, Standart left a record as being the oldest in point of continuous service of any hospital board trustee in the country. By retiring he will have more time to enjoy his charming home presided over by his gracious wife."

Divisional meeting plans announced

New York—Presidents of local credit associations in the Eastern Division of the NACM will hold a one-day conference in this city on Sept. 19, followed the next day by a conference of Secretary-Managers of Eastern Division associations. These meetings are annual affairs in which plans and programs for the current association year are outlined and interchanged.

Chicago—The annual conference of Secretary-Managers of Central Division associations will be held at the Edgewater Beach Hotel, Sept. 22-24. The program is being arranged by Harvey T. Hill, Sec., Chicago ACM; M. B. Pemberton, Sec.-Mgr., Oklahoma Wholesale CMA; Stuart F. LaChance, Sec.-Mgr., Houston ACM; and NACM Central Division Mgr. E. B. Moran. The first day will be devoted to general association activities and the following day to credit interchange and credit group policies, collection services and adjustment facilities. Arrangements have been made for those arriving Sunday to play golf at the Bob-O-Link golf course. Group luncheons with speakers or entertainment are being arranged for the Conference days.

Detroit "Zebes" outing

Detroit—The Detroit Herd of the Royal Order of Zebras held an outing for "Mr. & Mrs. Zebra" on August 10 at the sum-

mer home of Frank Heintz at Harsen's Island. The Zebras handled the entertainment which preceded and followed dinner. The affair was arranged by *Exalted Superzeb*—Charlie Fallon, *Most Noble Ass of Asses*—Jack Collins, *Royal Jackass*—Gene Michot, *Three Horse Power Burro*—Charlie Hess, *Keeper of the Zoo*—Ron Krome, and *Zebretary*—Ed. Phelan.

Harvey L. Welch heads Robt. Morris Associates

St. Louis—Harvey L. Welch, Vice Pres. and Manager of the Credit Department of the First National Bank, St. Louis, was elected President of Robert Morris Associates, a national organization of financial credit men, at the annual meeting held June 21, at Skytop, Pa. He had served as a director, vice president, and on various committees, and for many years has been actively identified with national credit affairs. Mr. Welch is a past president of the St. Louis ACM and its Adjustment Bureau, and a former Director of the NACM. For several years he was an instructor in Credits and Statement Analysis in the schools of the American Institute of Banking. He has been connected with the First National Bank in St. Louis since it was organized, and prior to that time had been Credit Manager of the Mechanics-American Natl. Bank, a component unit of the First National.

Bess Havens writes on national morale

Binghamton—A special feature article in the July 19 issue of the Binghamton Press described the role that women can and are playing in maintaining national morale in this defense period. Among the seven women contributing was Bess R. Havens in her position as President of the Binghamton Zonta Club. Miss Havens is well known to NACM members, having been active in local and national association affairs for many years, as well as being one of the leaders in the credit women's movement throughout the country.

Credit women broadcast

Detroit—The Detroit Credit Women's Club attended a broadcast presented by Mrs. Cecil Chittenden on August 11, at which time Mrs. Chittenden interviewed some of the club members over the radio. Following the broadcast the credit women attended a special dinner.

Dayton plans outing

Dayton—The annual outing of the Dayton ACM will be held on Wednesday, Sept. 17, at the Walnut Grove Country Club. Preceding a steak dinner there will be a program of golf, quoits and other sports.

* *Photo by Cincinnati Enquirer.*

1942 Credit Congress Planners

Cincinnati—Preparations for the 1942 Credit Congress of the National Association of Credit Men, which will be the 47th in its history, are already under way. Here you see the officers of the Cincinnati Association of Credit Men just prior to a recent meeting with their Association's Executive Committee at which preliminary plans were developed. The Credit Congress is expected to attract over 1,500 delegates to Cincinnati Next May.

The individuals above are, l. to r.: Vice-President Arthur L. Moler, of the Fifth Third Union Trust Co.; Vice-President J. A. Nickerson, of Jos. T. Ryerson & Son, Inc.; President Wm. A. Kroger, of the Storrs-Schaefer Co.; Secretary Harry W. Voss, and Treasurer J. G. Gutting, of the Second National Bank.

Providence gets Rodriguez Cup

Providence—Pictured above, left to right, are Charles G. Pixley, President, Camilo Rodriguez, Director, and Henry T. Farrell, Exec.-Mgr. of the Rhode Island ACM, on the occasion of the annual outing and golf tournament of the Rhode Island ACM at the Metacomet Golf Club, July 24, when Mr. Rodriguez, who is credit executive of the Davol Rubber Co., presented the "Rodriguez Perpetual Trophy" to the association. This year's tournament attracted approximately 150.

The honor of being the first to have his name inscribed on the cup fell to Walter N. Carlson of Curran & Burton. Other winners in the tournament were George E. Archer, Atlantic Refining Co.; George C. Simmons, United Wire & Supply Corp.; J. Edward Downes, Crown Hotel; and John T. McDonough, Mgr., Mass. Indemnity Insurance Co.

NACM men in Defense Program

During recent weeks the NACM Public Relations Dept. has learned about the following credit executives who have been called by the nation from their tasks of "Guarding the Nation's Profits" to serve in the National Defense Program.

Each individual will receive from the National office, for the year he is in service, complimentary copies of both the NACM Executive Manager's Monthly Business Review and "CREDIT AND FINANCIAL MANAGEMENT."

Information about other individuals called to service is solicited and will appear from time to time in this column.

Memphis — Ernest Lindley McGee, former Credit Mgr. of Robilio & Cuneo of Memphis, Tenn., is now Captain in the Infantry Reserve Corps, Reception Center, Fort Benning, Ga.

Boston—Forace L. Booker, who represented Walker Stetson Co. in the Boston Credit Men's Association, is now stationed at Camp Edwards with the Military Police, 26th Division.

Position Wanted

Credit man with 11 years' experience wants to make a change for betterment. Is 30 years of age, married, and at present employed with national distributors of wholesale general merchandise. Address Box 9-A, Credit and Financial Management, One Park Ave., New York.

Credit-Collection Executive with 20 years' experience in wholesale credit desires change. Married. Age 40. Presently employed in Ohio Valley, but would consider offer in any locality. Address Box 9-B, Credit and Financial Management, One Park Ave., New York.

Obituary

I. B. Stafford

Cincinnati—Irving Brentwood Stafford died on July 16 of a heart attack while on vacation in Fairfax, Va. Mr. Stafford, 56 years old, was buried in Atlanta, Ga. He had been connected with the Graybar Electric Co. for over 30 years, starting at Hawthrone, Ill., and then serving at Atlanta, Ga., Boston, Mass., Pittsburgh, Pa., and since 1925 at Cincinnati, as credit manager. A resident of Ft. Thomas, Ky., Mr. Stafford was a member of the Cincinnati ACM, on whose board he served for two years.

Credit Career

Paul A. Pflueger

San Francisco—One of the credit executives who was largely responsible for the success of the 1937 Credit Congress in San Francisco was Paul A. Pflueger, who is Managing Director of the F. E. Booth Co. in this city, and who represents, in the membership of the Credit Managers' Association of Northern and Central California, the firm of Max I. Koshland Co., in which he has a major interest.

Mr. Pflueger has been very active for many years in national and local credit association affairs, being a member of the San Francisco Association for nearly 20 years and in that time having been active in membership, Fraud Prevention and Development Program activities, besides serving the Association as Treasurer.

The F. E. Booth Co., of which he is Managing Director, is a large user of Credit Interchange Service and approximately 80 per cent of the San Francisco Association membership has Credit Interchange contracts, due to policies developed by Mr. Pflueger and his associates in the Association affairs.

All in all, Mr. Pflueger's many capabilities have served well both the local and national credit associations in the years of their happy and productive association.

Beatrice M. Haverly

Syracuse—One of the original members, and during the past season the Chairman, of the Syracuse Association's Credit Women's Group, is Mrs. Beatrice Millane Haverly, a resident of this city since her birth here.

Mrs. Haverly is more than a woman with a career. She is interested, beyond her activity in business, in interior decoration and in music. A soprano, she is a student of advanced theory as well as a member of the Brewerton Church Choir. Mrs. Haverly is also an animal lover, the owner of two fine riding horses, and a good golfer.

In the field of business she has had wide experience. Specializing in a business course, she graduated from the Blodgett Vocational High School and then accepted a position with a local manufacturing concern. Later she was connected with both the Connecticut Mutual Insurance Co. and the Aetna Insurance Co. Now she is Secretary and Treasurer of the Haverly Electric Co., a position she has held for the past several years.

But beyond all this, she has won overwhelming goal: completion in the least possible time of the remodeling of her summer home, which when finished will be converted to a year-round residence.

Embezzlements by Employees Often Affect Business

By ARTHUR M. COLOMB

Supt. Bonding Dept., Pacific Coast Department, Glens Falls Indemnity Company, San Francisco.

As suppliers of dishonesty insurance for the primary purpose of restoring lost assets, due to dishonesty of employees, our attention was attracted to an article in the May, 1941, issue of "CREDIT AND FINANCIAL MANAGEMENT," "Why Business Failures?" by Louis P. Starkweather, Associate Professor of Finance, New York University. Therein were enumerated seventy-six different causes for business failures.

In addition to the seventy-six reasons, outlined by Mr. Starkweather, we believe that we have substantiated facts about a very potent and rarely mentioned reason for business failure, or weakening of financial resources and capital assets of individuals and business firms.

In the fidelity bonding business, also known as the dishonesty insurance business, we have known the total amount of monies paid to employers by bonding companies at the end of each year for the losses suffered due to employee dishonesty. Such figures were those covering *insured* losses, therefore, we have long wondered about losses suffered by employers due to the dishonesty of employees that are not covered, and our sympathy went out to such hard working businessmen who relied upon their employees and ultimately had their financial positions weakened and the existence of their businesses jeopardized.

To obtain this data, we communicated by means of a questionnaire with 250 licensed Certified Public Accountants in both northern and southern California. We received responses from forty-five, eighteen of whom had made audits uncovering losses during the year of 1940 only. Our questions were directed to audits during 1940, and only in California.

These California Certified Public Accountants reported discovery of embezzlements totaling $599,366.68, which were covered by only $34,616.68 in fidelity insurance. This huge loss was reported in the main for uninsured employers, with inadequacy of coverage for others also a contributing factor. Eighteen of the twenty-eight firms involved carried Fidelity Bonds, ten being without protection. It is at once apparent that the business firm which either doesn't carry dishonesty insurance or fails to provide for adequate coverage runs a tremendous, if not a fatal, risk.

The results of our rather limited survey have convinced us that the credit picture stands in a very vulnerable position, for certainly the figures we obtained in California should reflect similar conditions elsewhere in the country. It is our thought to deliver to Credit Managers the situation that our survey revealed, and to offer a reminder that there is available a safeguard to improvement of customers' financial positions by means of dishonesty insurance.

Commercial Credit Analysis – Part V

(*Continued from page* 12)

THE comparative figures on this final relationship that are given below indicate that receivables and inventories averaged 57% of total assets for all of the business units in the three-year study and that the group average went as high as 65% for wholesalers and dealers in 1937:

	Receivables and Inventories to Total Assets			
	1938	1937	1936	Average
Manufacturers	46%	53%	50%	50%
Wholesalers & Dealers	61%	65%	64%	63%
Retailers	57%	61%	62%	60%
Weighted Average...	54%	59%	58%	57%

In the most recent year, wool dealers displayed a higher proportion than any other line of business with 79% while brewing companies were at the other extreme with only 15%. Among manufacturers, whiskey distillers led with a relationship of 74% and a top figure of 72% was recorded by furniture installment houses in the retail group. The low point among wholesalers was 38% for plumbing supply houses and the retail relationship ranged upward from a minimum of 42% shown by retail coal dealers.

Statistically, then, as well as relatively, we are forced to conclude that receivables and inventories represent the most important assets in the balance sheet of the average business unit.

Consolidating Summary

IN the beginning we undertook to classify all of the influences that affect bank credit decisions in business lending into three principal groups which we called the personal factor, the financial factor, and the economic factor. From a discussion of these, we decided that, as a practical matter, those considerations which we dealt with under the heading of the financial factor carried the most weight in the average credit decision. Next we considered at some length the elements of the financial factor and concluded that the balance sheet was the most indispensable and significant single source of financial information. From this point, we touched on some general analytical considerations with respect to the balance sheet and have subsequently endeavored to establish the overpowering importance of receivables and inventories among balance sheet accounts. Subject to the validity of this chain of reasoning and to the adequacy of its development, we can now center attention on the evaluation of receivables and inventories alone as the most important consideration in the formation of a sound credit decision.

Gentle Persuasion

He was a man of peace, and when he came upon two youths fighting in a back street he pushed through the crowd and persuaded the combatants to desist.

"Let me beg you, my good fellows," he said, "to settle your dispute by arbitration. Each of you choose half-a-dozen friends to arbitrate."

Having seen the twelve arbitrators selected to the satisfaction of both sides, the man of peace went on his way.

Half an hour later he returned, and was horrified to find the whole street fighting.

"Good gracious, what's the matter now?" he asked.

"Sure, sorr," was the reply, "the arbitrators are at work!"

Handling Credits on an Advancing Market

(*Cont'd from p. 9*) bank of issue. Money was sometimes sent to the larger cities in the care of travellers, that being considered safer than by mail. Wagon drivers who could be trusted also obliged in the same way.

As far as dunning his customers, the wholesaler usually did so in the newspapers by inserting a notice that the merchant intended to leave for the East and purchase new goods. Some of these notices were headed 'Money Wanted." As far as attorney collections, the post masters and constables served in that capacity. Advertising consisted merely of inserting a card in the newspapers; although a man from Edwardsville, Illinois, advertised that "a nimble sixpence is better than a slow shilling," meaning that he intended to sell at a low price and rely on his large volume of trade for his profits.

A Comparatively Easy Job Today

FROM the above it can be clearly seen that today the life of the ordinary credit manager is relatively easy. Most of us have become quite "soft" as compared with our forefathers. They had all of the vicissitudes we now have plus many others. Studying the life of these early tradesmen is very interesting and if the reader is inclined to delve further into history, he is referred to "The Pioneer Merchant in Mid-America" by Lewis E. Atherton, Ph.D., University of Missouri, Columbia, Missouri, from which the above historical data was taken.

So then—in getting back to the place of beginning, we come to the conclusion that in extending credit on an advancing market, or on any other kind of a market, it must be done on a sane and sound basis and free from all the elements of a game of chance, and in line with a merchant's operations, as above mentioned. Unfortunately, even some of the larger houses, in their eagerness for business, are getting away from the old ideals of credit granting, and in place are substituting practices that are demoralizing to themselves, to the man to whom the credit is extended, and to the commercial world as a whole.

There should be a certain dignity attached to the office of a credit manager and to the house he represents. Certainly that dignity is prostituted if credit is extended to merchants who have no character or honesty, and who have questionable failures to their record; or where a merchant is permitted to disregard the established terms by deducting discounts when not earned, or refusing to pay interest when due; or again when credit is extended to those who are slow pay and who arbitrarily refuse to divulge their financial position either to the recognized mercantile agencies or their suppliers; or where credit is extended in excess of a merchant's working capital, or entirely out of line with his net worth.

Credit: The exchange of an actual reality against a future probability. (Anonymous)

Business Books

THE PETROLEUM INDUSTRY, An Economic Survey. By Ronald B. Shuman. University of Oklahoma Press, Norman, Okla. $3.00.

The author, who is associate professor and head of the Department of Business Management of the University of Oklahoma, presents a survey of the oil industry in the United States. Professor Shuman discusses problems to be met now and which our nation will face in case we go to war. This volume will be of special interest to the investor, the banker and the business man as well as the professional oil man.

To Explain O. P. M.

The New Jersey Association of Credit Men will hold its first fall dinner meeting on September 18th at the Hotel Douglas on Hill Street. A representative from the Office of Production Management in Washington will be on hand to discuss the problems of Credit in Relation to the National Defense Program. A special invitation has been issued by the Association for sales and office executives to attend this meeting as well as the credit officials.

Eighty Attend First Summer Institute

(*Cont'd from p.* 15) York City; F. O. Dietlein, New York City; Mr. and Mrs. Wallace Diffenderfer, Pittsburgh, Pa.; B. K. Fickle, Findlay, Ohio; W. W. Gallagher, Needham, Mass.; Mr. and Mrs. Donald G. Graham, Milwaukee, Wis.;

L. M. Gray, Oklahoma City, Okla.; G. A. Grenfell, Stockton, Calif.; Ben Gruber, Memphis, Tenn.; Mr. and Mrs. C. R. Haemsch, Chattanooga, Tenn.; D. C. Haight, Philadelphia, Pa.; F. J. Hayes, Boston, Mass.; G. E. Hedman, Chicago, Ill.;

W. V. Herr, Kendallville, Ind.; Mr. and Mrs. C. M. Howard, Omaha, Nebraska; Nelson Hower, St. Louis, Missouri; Mr. and Mrs. W. L. Jacobi, Chicago, Ill.; R. A. Jelkyl, St. Louis, Mo.; Leonard E. Johnson, Providence, R. I.; Mr. and Mrs. E. G. Kasch, Chicago, Ill.;

Beulah A. Konn, Saginaw, Mich.; Marie Kroger, Cincinnati, Ohio; Mr. and Mrs. W. H. Lang, Pittsburgh, Pa.; Rex Maltbie, Kansas City, Mo.; John McNair, Oklahoma City, Okla.; G. E. Moseley, Watertown, Conn.; Lillian B. Nivison, Rochester, N. Y.; W. F. Nixon, Somerville, Mass.;

Mr. and Mrs. E. C. Ogden, Battle Creek, Mich.; D. O. Oredson, Minneapolis, Minn.; S. Overstraeten, Chicago, Ill.; M. D. Pemberton, Oklahoma City, Okla.; G. E. Pierce, St. Louis, Mo.; Mr. and Mrs. A. L. Podrasnik, Chicago, Ill.; W. L. Reed, New York City;

Dewey F. Reeder, St. Louis, Mo.; R. E. Sanborn, Boston, Mass.; Blanche M. Scanlon, Minneapolis, Minn.; S. J. Schneider, Louisville, Ky.; T. A. Shaw, New Orleans, La.; Mr. and Mrs. E. L. Sherk, Parchment, Mich.; L. D. Stanton, Binghamton, N. Y.; M. D. Stevens, Gardner, Mass.; C. W. Stille, Lexington, Ky.;

William Stockton, Philadelphia, Pa.; L. W. Stolte, Cleveland, Ohio; F. F. Stuckert, Milwaukee, Wis.; David J. Sullivan, New York City; R. A. Sweeney, Rochester, N. Y.; J. S. Thomas, Philadelphia, Pa.; H. J. Triano, Syracuse, N. Y.;

M. C. Ulmer, San Francisco, Cal.; L. H. Vaughn, Lansing, Michigan; Mr. and Mrs. William Wanvig and family, Milwaukee, Wis.; H. Weber, Jersey City, N. J.; S. H. Wentz, Stockton, Cal.; C. F. Wetherbee, Foxboro, Mass.; L. B. Wilson, Long Island City; Corbin Woodward, Chattanooga, Tenn.; M. N. Wright, Gardner, Mass.; E. Wylie, Chicagó, Ill.

Minneapolis Credit Women Hold Picnic

Minneapolis: The Minneapolis WCWC held its annual luncheon party at The Farm House on Saturday June 7. A violin quartet played several selections and Mr. Val Bjornson, who spoke briefly, gave some interesting first-hand information about Iceland.

Business meetings were dispensed with during the summer months, but the group gathered at Lake Nokomis for a picnic supper on August 7. The games which were played afterwards were enjoyed as much by the spectators as by the participants!

The club is looking forward to the resumption of its regular activities under the leadership of the officers elected for the coming year: President, Muriel F. West, N. W. Paint & Wallpaper Co.; Vice-President, Melba Gahring, N. W. Casket Co.; Secretary, Phyllis McCasland, Brown Steel Tank Co.; Treasurer, Helen Gaines, Williams Hardware Co.

Get the Money

(*Cont'd from p.* 29) friendly co-operation—"Won't you tell us frankly just what the trouble is? Many times in our long business experience we have been able to extend just the right kind of aid. But we must first know the facts." Second, the intervention of a third party (the general manager, the secretary, or some other company authority) who steps in persuasively to give the delinquent another chance before force is brought into play.

Urgency (force) letters are usually short, direct, unequivocal. They should be promptly followed by the action they threaten to take. That house is most respected which lives rigorously up to its word.

There is no more of a ticklish problem that arises in the routine of business correspondence than that of dealing with the customer who hasn't paid his bill. The above suggestions appear to me to be most useful. Get the money—yes, indeed, but hang on to your customers.

Choice of Right Word Is Often Difficult

The governor of the state one day appeared before the convicts at the state prison to make a speech. Forgetting his audience, he began in the usual manner: "Fellow Citizens"—a murmur of laughter ran about the hall. The governor became confused, and began: "Fellow Convicts"—the laughter increased. "Oh, you know what I mean," he stammered. "I mean I'm glad to see so many of you here." Uproar.

New Service on Defense Contracts

(*Contd from p. 17*) Judging from the number of callers at the office of W. O. Crabtree, District Manager of the New York Federal Reserve District Defense Contract Service, it is important that you write or telephone in advance for an interview appointment. For example, on August 27th, Mr. Crabtree's staff were so crowded with appointments during a full nine hour day with a half an hour set aside for each appointment that the dates were being set more than two weeks in advance. At the time the writer called at Mr. Crabtree's office in late afternoon, there were more than thirty callers waiting to get their names down on the appointment book, so we point out the necessity of getting a defense appointment in advance by letter or telephone before going to the office of your District Manager for the Defense Contract Service.

In a recent article in the New York Times, William J. Enright outlines the purposes of the new Defense Contract Service as follows:

In rough outline the program is as follows:

1. Increased emphasis on "key" subcontractors, who in some respects are capable of being prime contractors. These "key" subcontractors will be asked to take twenty or thirty small concerns in charge and attempt to develop them as sources of supply on defense work. The chief problem faced in attempting to help small concerns is management. Many of the owners of these small companies cannot even read blueprints and do not know the exact tolerances on which they work. The key subcontractors will be able to give them management helps, find necessary equipment for them and enable them to convert their plants.

2. An inevitable relaxation of tolerances, at least on some equipment. Changes in material specifications have been frequently approved by the Army and Navy in the past and now the point has been reached where some relaxation in tolerances will have to be adopted. The Defense Contract Service thinks that one solution may be the channeling of an order, such as a piece of machinery, through several small subcontractors, the first one doing the rough stamping, shaping or molding, and the second and third plants, for instance, doing the finer precision work for which the first is not equipped.

3. A coalition of the stronger concerns in each community to survey and assist the smaller companies in their areas. This plan is working out with remarkable success in a number of communities throughout the country and the Defense Contract Service hopes to extend it to all communities.

4. Subcontracting of civilian goods by large companies engaged in the manufacture of both defense and consumer goods in order to free more equipment for defense work. One company is already subcontracting certain types of electrical equipment for civilian use and the service would like to see this plan extended. There are many restrictions, however. The prime contractors do not like to build up future competition for themselves, and frequently where a subcontractor company is equipped to turn out these civilian goods he could also possibly produce defense items. However, a larger concern is better equipped to convert its civilian goods plant to defense work than a smaller concern and therefore it might be wiser to keep the latter operating on civilian goods.

Mr. Crabtree pointed out that experience has shown that around 10 to 20 per cent of small concerns in industries even remotely connected with defense work can with varying degrees of assistance be employed on defense work.

He placed a good deal of confidence in the key subcontracting idea, pointing out that lack of trained engineers in many cases is a bottleneck. For instance, one company with a large volume of defense orders has 300 men on its subcontracting staff and in this manner is capable of solving practically any problem. Another large company, however, with almost three times as many orders, has only fifteen engineers on its subcontracting staff and probably cannot add more than five. If these companies can shift part of their responsibility to a key subcontractor, whose two or three engineers for example might be able to handle twenty small concerns, then its load will be considerably lightened.

(*Continued from page 30*)

SUPPLEMENT TO REGULATION W

Part 1. Listed Articles, Maximum Maturities, and Maximum Credit Values.—For the purposes of the regulation the following maximum maturities and maximum credit values shall apply to the following list of articles:

Articles of Consumers' Durable Goods (Whether new or used)	*Maximum Maturity in Months*	*Maximum Credit Value in per cent of Basis Price*
Group A		
1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs) . .	18	(See Part 3 of this Supplement.)
Group B		
1. Aircraft (including gliders)	18	66⅔
2. Power driven boats, and motors designed for use therein, other than boats or motors designed specifically for commercial use	18	66⅔
3. Outboard boat motors	18	66⅔
4. Motorcycles (two or three-wheel motor vehicles, including motor bicycles)	18	66⅔
Group C		
1. Mechanical refrigerators of less than 12 cubic feet rated capacity	18	80
2. Washing machines designed for household use	18	80
3. Ironers, designed for household use	18	80
4. Suction cleaners designed for household use	18	80
5. Cooking stoves and ranges with less than seven heating surfaces	18	80
6. Heating stoves and space heaters designed for household use . .	18	80
7. Electric dishwashers designed for household use	18	80
8. Room-unit air conditions	18	80
9. Sewing machines designed for household use	18	80
10. Radio receiving sets, phonographs, or combinations	18	80
11. Musical instruments, composed principally of metals	18	80
Group D		
1. Household furnaces and heating units for furnaces (including oil burners, gas conversion burers, and stokers)	18	85
2. Water heaters designed for household use	18	85
3. Water pumps designed for household use	18	85
4. Plumbing and sanitary fixtures designed for household use . . .	18	85
5. Home air conditioning systems	18	85
6. Attic ventilating fans	18	85
7. New household furniture (including ice refrigerators, bed springs, and mattresses but excluding floor coverings, wall coverings, draperies, and bed coverings)[1]	18	90
8. Pianos and household electric organs	18	90
Group E		
1. Materials and services (other than materials listed in Group C or D) in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing stuctures, provided the deferred balance does not exceed $1,000	18	No limitation

[1] An article is not new if it has been used by a consumer.

British Insurance Companies Help In Defense Purchases

Before the Lease-Lend Bill was passed the British Government had contracted with American manufacturers for the delivery of airplanes, tanks and guns as well as for American cotton, tobacco, wheat, beef and other necessities.

By the sale in the United States of American securities acquired from their nationals in other parts of the world the British Government accumulated in this country hundreds of millions of dollars towards payment for the military and other supplies referred to, but more money was needed.

Thereupon the British - owned American fire, marine and casualty insurance companies and a number of the larger British-owned or controlled industrial companies entered and doing business in the United States were asked to co-operate in the matter of a loan to be negotiated between the Government of the United States (R. F. C.) and the British Government on the basic principles of any other commercial loan—the proceeds to be used to pay for the supplies in question.

The owners of the stock of the insurance and industrial companies agreed to lend it to the British Government to be deposited in New York as collateral to the loan, and the companies have agreed that, for a period of time, the dividends the American directors of such companies may declare in the usual course of business will be deposited with the Federal Reserve Bank in New York for servicing the loan.

To the same end the United States Branches of British insurance companies will deliver to the Federal Reserve Bank in New York such portions of the Branches' interest earnings as the Superintendent of Insurance may authorize after first satisfying himself, as usual, that complete protection of the respective companies' American policyholders has been maintained. The industrial companies referred to will also deliver to the Federal Reserve Bank a suitable share of their earnings.

The Business Thermometer:

Sales of wholesalers advanced 43 percent in July over the same month a year ago, according to an announcement released today by J. C. Capt, Director of the Census. This 43 percent gain substantially exceeds all previous year-to-year gains recorded by this series during the past five years. The May and June 1941 gains of 32 percent were previously the largest increases. The 26 percent six-month gain was raised to 28 percent for the year to date by the July increase. The first quarter had ended 21 percent ahead of the first 3 months of 1940. Sales of 23,891 independent retail stores amounted to 24 percent over a year ago for the month of July, according to another monthly survey of the Bureau of the Census.

In connection with this monthly study conducted jointly by the National Association of Credit Men and the Bureau of the Census, 2,908 wholesalers, representing all parts of the country, reported dollar sales amounting to $293,230,000 in July, which were 7 percent above June 1941. This increase is contrary to the seasonal change usually shown between these months by this survey. Sales are shown as reported, without adjustment for seasonal or price fluctuations.

For the first seven months of 1941, all of the 35 kinds of business reported sales to be higher than during the same period of 1940. Led by wholesalers of metals with a 79 percent rise, all durable goods lines reported distinct increases, a trend indicated by the monthly data in previous issues of this report. The importance of these cumulative data in interpreting the monthly figures is found in comparing the 101 percent increase this month for sales of liquor departments with the 21 percent year-to-date gain. The increase in this and related lines is relative to the sharp decrease in sales last year which followed the change in tax rates.

Each of the 35 lines of trade reported that sales during July were greater than those in July 1940. Four trades besides wines and liquors showed gains of 70 percent or more compared with a year ago. These were metals (81%), industrial supplies (73%), shoes and other footwear (72%), and electrical goods (70%). While many lines reported expanding trade gains, increases this month for plumbing and heating supplies and lumber and building materials fell appreciably short of those recorded for the first seven months as a whole. Wholesalers of groceries and foods topped their 12 percent year-to-date gain with a 19 percent increase over July 1940.

The cost value of inventories on hand at the end of July for 1,804 wholesalers rose 2 percent from the beginning of the month, and was 18 percent over July 31, 1940. The increase over a year ago is the second largest recorded by this series in the three years during which these data have been collected. The increase in June had been 20 percent over June 1940. Each month this year there has been a small (1%-6%) but steady inventory accumulation in terms of dollars. The ratio of stock to sales of 136 for July 1941, is however, sharply under the figure of 168 for July 1940. It is the lowest ratio of inventories to sales ever reported in this series. Most of the 32 trades for which stock-sales ratios are shown indicated this decrease in relative inventory position. For wholesalers of groceries and foods, inventory accumulations slightly exceeded sales expansions.

Collections on accounts receivable for 2,375 wholesalers were more favorable in July of this year than those reported by these same establishments for July 1940. Collections during July equaled 80 percent of accounts receivable as of July 1, compared with collection percentages of 76 for July 1940 and 78 for June 1941. Continuing to reflect recent expansions in sales volume, accounts receivable were 28 percent greater on July 1, 1941, than at the same date in 1940, and 1 percent higher than on June 1, 1941.

Detailed figures are presented in the following page in summary for the United States.

WHOLESALERS' accounts receivable and collections, July, 1941

Kind of Business	Number of firms reporting	Collection Percentages* July 1941	Collection Percentages* July 1940	Collection Percentages* June 1941	Accounts Receivable: Percent change July 1941 from July 1940	Accounts Receivable: Percent change July 1941 from June 1941	Accounts Receivable: As of July 1, 1941 (000's)
Automotive supplies	150	68	61	68	+23	+ 5	$4,289
Chemicals (industrial)	21	87	71	88	+17	+ 3	1,238
Paints and varnishes	35	53	51	53	+23	— 3	1,851
Clothing and furnishings, except shoes	38	40	34	42	+10	— 8	2,615
Shoes and other footwear	31	43	48	50	+36	—13	10,100
Coal	11	94	81	83	+33	— 2	1,671
Drugs and sundries (liquor excluded)	106	72	68	70	+ 8	— †	19,379
Dry goods	95	47	44	49	+31	+ 4	22,222
Electrical goods	324	78	72	79	+51	+ †	44,584
Dairy and poultry products	14	142	153	164	+41	+ 7	641
Fresh fruits and vegetables	60	151	152	152	+14	+ 6	1,404
Farm supplies	6	75	61	80	+ 8	—51	409
Furniture and house furnishings	55	51	49	55	+43	+ 2	10,968
Groceries and foods, except farm products	489	104	99	101	+ 9	— †	40,274
Full-line wholesalers	237	97	92	92	+11	+ 2	16,907
Voluntary-group wholesalers	145	105	98	100	+ 7	+ †	15,974
Retailer-cooperative warehouses	16	190	179	177	+17	— 4	1,457
Specialty lines	91	103	102	106	+ 8	— 6	5,936
Confectionery	17	74	66	67	+ 7	+ †	465
Meats and meat products	77	176	177	160	+41	+ 6	14,305
Beer	13	227	176	155	—10	+16	44
Wines and liquors	29	87	81	82	+ 6	+ 3	5,229
Liquor department of other trades	29	64	61	66	+17	+ 4	4,021
Total hardware group	357	66	59	66	+39	+ 5	57,157
General hardware	131	61	55	61	+28	+ 2	33,701
Industrial supplies	118	80	70	78	+64	+ 9	13,387
Plumbing and heating supplies	108	65	62	65	+49	+ 9	10,069
Jewelry	27	33	27	25	+23	— 3	3,774
Optical goods	23	83	55	67	+12	+ 5	425
Lumber and building material	39	73	68	72	+15	+ 2	4,054
Machinery, equipment and supplies, except electrical	55	60	58	64	+55	+ 5	5,321
Surgical equipment and supplies	29	52	48	53	+20	+ 2	1,224
Metals	27	102	90	103	+65	+ 1	6,183
Paper and its products	76	63	60	65	+13	+ 2	8,426
Petroleum	7	132	124	131	+24	+ 6	1,133
Tobacco and its products	104	139	131	127	+ 1	— 1	8,102
Leather and shoe findings	7	57	41	46	+10	— 6	179
Miscellaneous	23	64	53	64	+ 7	— 2	3,059
United States	2,375	80	76	78	+28	+ 1	$284,746

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
† Less than 0.5 percent.

WHOLESALERS' sales and inventories, July, 1941

Kind of Business	Sales—Current Month: Number of firms reporting sales	Sales—Current Month: Percent change July 1941 from July 1940	Sales—Current Month: Percent change July 1941 from June 1941	Sales—Current Month: July 1941 (000's)	Sales—Year-to-Date: Percent change from 7 Mos. 1940	Sales—Year-to-Date: 7 Mos. 1941 (000's)	Inventory—End-of-Month (At Cost): Number of firms reporting stocks	Inventory: Percent change July 1941 from July 1940	Inventory: Percent change July 1941 from June 1941	Inventory: July 31, 1941 (000's)	Stock-Sales Ratios* July 1941	Stock-Sales Ratios* July 1940	Stock-Sales Ratios* June 1941
Automotive supplies	200	+37	+ 3	$4,924	+22	$36,389	101	+ 6	+ ‡	$4,692	186	244	198
Chemicals (industrial)	21	+42	+ 2	1,144	+41	12,684	12	+22	+ 5	440	64	80	65
Paints and varnishes	69	+31	—11	3,003	+32	19,716	19	+15	+ 6	1,168	168	185	141
Clothing and furnishings, except shoes	45	+61	+19	1,506	+45	20,308	25	+ 3	+ 6	1,350	211	347	232
Shoes and other footwear	35	+72	+39	16,352	+45	95,789	22	— 5	— 2	7,043	90	154	139
Coal	11	+65	+14	1,568	+37	13,144	—	—	—	—	—	—	—
Drugs and sundries (liquor excluded)	127	+22	+ 8	19,612	+11	140,525	88	+ 9	+ 5	22,320	183	204	188
Dry goods	106	+63	+15	13,968	+32	90,482	60	+15	+ 9	22,464	224	317	240
Electrical goods	350	+70	+ 1	38,305	+60	271,290	303	+40	+ 5	32,737	90	111	87
Dairy and poultry products	17	+28	— 5	1,165	+11	14,782	9	+39	+20	474	84	73	67
Fresh fruits and vegetables	79	+23	+ 2	5,290	+10	32,439	56	+20	— 7	718	28	32	31
Farm supplies	9	+26	— 6	239	+16	5,067	—	—	—	—	—	—	—
Furniture and house furnishings	65	+48	—14	5,761	+38	56,049	37	+17	+ 2	9,272	235	297	189
Groceries and foods, except farm products	639	+19	+ 6	55,272	+12	437,513	383	+21	+ ‡	45,609	138	135	149
Full-line wholesalers#	340	+22	+ 6	23,883	+12	176,934	193	+21	— ‡	21,520	149	152	162
Voluntary-group wholesalers	171	+18	+ 5	20,339	+10	162,690	119	+17	+ ‡	16,426	151	153	163
Retailer-cooperative warehouses	21	+27	+16	3,683	+17	26,716	9	+26	— 3	2,732	108	110	131
Specialty lines	107	+11	+ 4	7,367	+13	71,173	62	+35	+ 2	4,931	93	74	94
Confectionery	29	+31	+ 6	655	+14	4,441	15	+13	— 3	248	92	112	101
Meats and meat products	90	+45	+16	26,923	+25	159,360	65	+44	— ‡	7,092	58	58	63
Beer	49	+46	+17	1,132	+14	4,107	36	+30	+ ‡	275	32	36	37
Wines and liquors	34	+97	+ 4	5,093	+21	34,493	25	+33	+ 8	7,853	189	265	181
Liquor department of other trades†	39	+101	—13	4,035	+21	30,371	29	+ 6	+ 7	5,823	229	456	196
Total hardware group	384	+58	+ 1	42,992	+49	316,192	246	+20	+ 1	57,435	189	252	191
General hardware	143	+54	+ 2	23,654	+39	177,180	86	+18	+ 1	38,827	222	289	223
Industrial supplies	131	+73	+ 1	12,184	+69	96,770	92	+19	— 1	13,241	144	218	147
Plumbing and heating supplies	110	+46	— ‡	7,154	+54	42,242	68	+43	+ 3	5,367	143	152	144
Jewelry	35	+58	— 5	1,422	+42	13,512	21	+14	+14	2,857	313	457	290
Optical goods	26	+27	— ‡	336	+20	2,396	13	+28	+ 2	197	136	127	136
Lumber and building materials	41	+24	+ 5	3,210	+44	25,890	29	+ 6	+ 1	2,841	116	139	120
Machinery, equipment and supplies, except electrical	63	+62	+ 3	4,215	+56	31,500	41	+12	— 1	4,851	159	215	160
Surgical equipment and supplies	30	+37	— ‡	732	+16	8,027	12	+14	+ 3	532	131	171	120
Metals	28	+81	— ‡	6,233	+79	45,498	17	— 4	— 8	5,650	115	215	126
Paper and its products	88	+35	+ 8	6,672	+20	48,421	45	+ 7	+ 2	4,527	144	175	152
Petroleum	9	+46	+ 5	1,655	+ 5	54,090	7	+26	+ 6	838	51	59	51
Tobacco and its products	151	+15	+ 9	15,022	+ 5	100,925	61	+ 6	+ 1	3,609	45	48	50
Leather and shoe findings	8	+ 2	+ 2	189	+11	1,268	—	—	—	—	—	—	—
Miscellaneous	31	+56	+26	4,605	+33	36,135	27	— 9	— 1	4,890	155	247	184
United States	2 908	+43	+ 7	$293,230	+28	$2,162,803	1,804	+18	+ 2	$257,805	136	168	141

*These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. ‡Less than 0.5 percent.
—Insufficient data to show separately. #Not affiliated with voluntary or cooperative groups. †Chiefly of the wholesale drug trade.